Labour flexibility
What can Europe do to create jobs?
Page 3

Life on the ocean wave
Why designing cruise liners is ship-shape
Page 8

A chip off the old Boss
Clinton picks Bill Daley to twist arms for Nafta
Page 5

Silicon turns to gold
Why Intel has such a huge 'brand value'
Page 7

FINANCIAL TIMES

Europe's Business Newspaper THURSDAY SEPTEMBER 2 1993 D8523A

Kohl dispels fears that farm deal will be renegotiated

Chancellor Helmut Kohl yesterday moved to dispel fears that Germany might back French demands for a renegotiation of the Blair House EC-US accord on farm trade.

"The German position regarding Blair House is unchanged," Mr Kohl said after meeting Gatt general secretary Peter Sutherland. Page 12; Paris unveils trade plan for EC, Page 5; Chicago back-room operator to sell Nafta, Page 5

Ciba-Geigy: Alex Krauer, chairman of the diversified Swiss chemicals and pharmaceuticals group, said growth would be limited "by the present unfavourable conditions of our business environment" as he reported an 8 per cent slide in net income from ordinary activities in the first half to SFr1.4bn ($954m). Page 13; Lex, Page 12

Call on social security: Britain wants fellow European Community members to reform their social security systems to cut the cost of employment and review existing and proposed EC social legislation in the light of its impact on job creation. Page 12; Europe – the jobs crisis, Page 3

Former Financial Times editor dies

Former Financial Times editor Max Henry Fisher (left), always known as Fredy, died on Sunday, aged 71. A convinced European, his editorship from 1973 to 1980 set the FT on its path as a European journal of information and opinion. It was during his time as editor that the Frankfurt edition of the paper was launched. Page 10

Eastman Kodak, US film company, has filed an anti-dumping petition against Japanese manufacturers for allegedly selling colour photographic paper in the US at prices below those in their domestic market. Page 5

Blow to shipyard: Prospects for Swan Hunter, struggling UK warship builder, have suffered a further blow with the loss of a £50m ($74.5m) Omani order to the French shipyard Constructions Mécaniques de Normandie. Page 6

Hope over brain diseases: Animal studies at University College, London, involving transplanting nerve cells from a rat's gut into its brain could point the way to a method of fighting human degenerative disorders, notably Huntington's Chorea and Parkinson's disease. Page 12; Health cards may list personal risks, Page 6

Tate & Lyle: Shares in the UK sugar and sweeteners group fell 26p to 375p ($5.6) after it said profits for the year to September 25 would fall short of the 1991 level, although they would show "a marked improvement over those achieved last year". Page 13; Lex, Page 12

Fighting talk: German industry is in danger of toppling into a domestic battle with "everyone against everyone else" as it struggles to master its current costs crisis, according to Helmut Werner, chairman of Mercedes-Benz. Page 2

Litton Industries, Californian technology group, has been awarded $1.2bn by a Los Angeles jury for the alleged infringement of a patent by Honeywell, Minnesota-based controls company. Page 15

Club Med profit warning: The summer holidays have come to an abrupt end for Club Mediterranée, one of France's largest leisure and travel groups, which warned that the effects of recession and political problems in some of its resorts could cause a pre-tax loss in the second half, which started at the end of April. Page 13

Japan moves to reform economy: Japan's new government has proposed 60 economic deregulation measures in the first step of a broad campaign to curb costly anti-competitive practices and pave the way for deep reforms in the country's economic structure. Page 4

Elephants kill 12 more: Wild elephants have killed at least 12 more people in India's northeastern Assam state this week, causing panic-stricken people to flee their homes, local news agencies said yesterday. The incident follows attacks last week when a rogue elephant killed 44 people in the Sonitpur district of Assam.

India cuts rates again: India cut interest rates in an attempt to reverse a two-year slowdown in economic growth. The government believes that, without more signs of growth, Indians could become disenchanted with its programme to modernise and open up the economy. Page 4

STOCK MARKET INDICES

FT-SE 100:	3086.1	(-14.9)
Yield	3.73	
FT-SE Eurotrack 100	1305.63	(-14.33)
FT-A All-Share	1530.09	(-0.5%)
Nikkei	20,953.30	(-73.30)
New York: lunchtime		
Dow Jones Ind Ave	3643.71	(-7.54)
S&P Composite	462.43	(-1.13)

US LUNCHTIME RATES

Federal Funds:	$3\frac{3}{16}$%
3-mo Treas Bills: Yld	3.055%
Long Bond	$102\frac{3}{8}$
Yield	6.089%

LONDON MONEY

3-mo Interbank	$5\frac{15}{16}$%	($5\frac{15}{16}$%)
Liffe long gilt future:	Sep $114\frac{3}{32}$	(Sep $114\frac{5}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$16.83	(17.0)

Gold

New York Comex (Sep)	$369.9	(375.7)
London	$368.75	(371.35)

STERLING

New York lunchtime:		
$	1.5065	
London:		
$	1.5075	(1.4875)
DM	2.5025	(2.495)
FFr	8.7775	(8.72)
SFr	2.2	(2.2025)
Y	159.25	(155.75)
£ Index	81.0	(80.5)

DOLLAR

New York lunchtime:		
DM	1.6573	
FFr	5.82625	
SFr	1.45745	
Y	105.525	
London:		
DM	1.6595	(1.678)
FFr	5.8225	(5.8625)
SFr	1.459	(1.48)
Y	105.7	(104.7)
$ Index	65.4	(65.7)

Tokyo close Y 104.94

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11		
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10		
Belgium	BFr65	Hungary	Ft 185	Neth	Fl 3.75	Slovak Rp	KSL45		
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220		
Croatia	HRD5700	India	Rs40	Norway	NKr18.00	South Africa	R12.00		
Cyprus	C£1.00	Israel	Shk6.90	Oman	OR1.50	Spain	Pta210		
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15		
Denmark	DKr16	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20		
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00		
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250		
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000		
						UAE	Dh11.00		

Arafat battles to persuade PLO chiefs over peace deal

By Julian Ozanne in Jerusalem and James Whittington in Amman

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, was last night battling to persuade his senior colleagues in Tunis to sign an unprecedented accord with Israel. Jordan, meanwhile, said it would sign a preliminary peace agreement with Israel in Washington.

At PLO headquarters in Tunis, Mr Yassir Abed-Rabbo, an executive committee member, said a recognition accord could be signed within days and would be agreed before the signing of an Israeli-Palestinian peace deal.

Mr Shimon Peres, Israel's foreign minister, shared the optimism and said Israel was ready to sign a recognition agreement as soon as the PLO had agreed to annul its charter calling for the violent annihilation of the Jewish state.

Mr Peres, who arrives in Brussels today to lobby EC officials for aid to Palestinians, also said that the mutual recognition accord was separate and independent from a peace deal with Palestinians on interim self-rule.

He said the Israeli-Palestinian declaration of principles on self-rule for 1.9m Palestinians in the occupied West Bank and Gaza Strip, which includes Israeli military withdrawal from Gaza and the West Bank town of Jericho, "stands on its own legs" and was not dependent on a recognition deal.

In Amman, Mr Abdul Salam al-Majali, Jordanian prime minister, told the Financial Times he expects a Jordanian-Israeli declaration of principles to be signed during this round of Middle East peace talks in Washington.

- Peres outlines vision of peace
- PLO meets to discuss terms
- Nordic rescue package
- Rabin's gambit dishes the Israeli right

PAGE 4

He said an "agenda" between Jordan and Israel had been near completion for months but the Jordanian government had held back from signing to allow the Palestinians time to agree on an initial settlement.

The agenda – which contains the framework for a peace agreement – is thought to include Israel's return of two strips of land and increased Jordanian water rights from the Jordan and Yarmouk rivers. It outlines the right of return of around 100,000 Palestinian refugees who fled to Jordan after the 1967 war when Israel seized the West Bank.

In Jerusalem, Mr Peres agreed that a Jordanian agreement could be signed "tomorrow" and said the last Israeli-Jordanian rounds of talks had discussed only minor details.

The rapidly developing Israeli-Palestinian-Jordanian breakthrough showed signs of triggering possible progress in the two other tracks of the Middle East peace process – the Israeli-Syrian and Israeli-Lebanese talks. A PLO official said Spain was hosting secret talks among the three parties and that a draft Israeli-Syrian deal on Israeli withdrawal from the Golan Heights in return for full peace was close.

Israel and Syria issued vehement denials of the claim, while the Spanish foreign ministry refused either to confirm or deny such talks were taking place.

Peace talks between Israel and Syria over the Golan Heights have been stalled as Israel insisted on Damascus spelling out its agreement to a full peace pact including open borders and diplomatic relations before Jerusalem agreed to state the extent of its withdrawal from the occupied land. The talks have also been stuck on Israel's demand for security guarantees including a period of demilitarisation of the area.

Israel has said only when agreement with Syria is reached will it be able to strike a peace deal with Lebanon involving the withdrawal of Israeli troops from a self-declared security zone.

Mr Peres said a signing ceremony of the Israeli-Palestinian peace accord and approval by Israel's parliament would take place within two weeks.

Peres outlines vision, Page 4

Bosnian talks fail over land demands

By Laura Silber and Frances Williams in Geneva and Gillian Tett in London

THE BOSNIAN peace talks in Geneva broke down yesterday after the Croat delegation said there was no hope of reaching a settlement.

The impasse emerged after Serb and Croat delegations refused to accept Moslem demands for further territory, diplomats said.

Croatian President Franjo Tudjman said the talks were called off without agreement on a map for Bosnia's ethnic carve-up and blamed their failure on "new" Moslem demands.

He told reporters: "I am leaving Geneva, all the participants are leaving Geneva."

The sudden impasse surprised observers after a day in which all three sides had indicated they were on the verge of signing an agreement.

Earlier, the Moslem-led Bosnian government had laid the ground for a possible agreement by scaling back its demands for territorial concessions. Mr Alija Izetbegovic, Bosnia's Moslem president, put forward a proposal that his republic should receive an additional 4 per cent of land on top of the 28 per cent already allocated under the proposed partition. Previous Moslem proposals have demanded at least 10 per cent more land.

For their part, the Bosnian Serbs were reported to have have offered the mostly Moslem Bosnian government full land access to the Moslem enclaves in eastern Bosnia.

Diplomats said, however, that last-minute disputes over the division of land led to the breakdown. One said: "They may not be over for good but for the time being the talks are over."

Members of the Moslem delegation were reported to be in tears as the Croats left. They were reported to have feared that the talks were the last chance for them to achieve a viable settlement.

A key sticking point appeared to be Moslem demands for a land connection to the sea and the Adriatic port of Neum.

Citing "historical" precedent, President Tudjman rejected Mos-

Continued on Page 12

US cuts economic growth forecasts

By Michael Prowse in Washington

THE CLINTON administration yesterday sharply reduced its forecasts of US economic growth, predicting that real gross domestic product would expand by only 2 per cent this year, not 3.1 per cent as forecast in April.

The new projection represents a halving of the economic growth rate since last year. Revised figures released this week showed that real GDP grew 3.9 per cent in 1992.

The administration also revised down its growth projections for next year from 3.3 per cent to 3 per cent.

But the White House, in its "mid-session" economic review, released more optimistic estimates of future budget deficits. The federal deficit is now expected to fall from $285bn this fiscal year, which ends September 30, to $179bn by fiscal 1996. Previously it had projected a decline from $322bn to $213bn over the same period.

Economic data released yesterday also pointed to continuing lacklustre economic growth.

The Purchasing Managers' Index – a guide to the health of manufacturing industry – was 49.3 per cent last month, slightly down from July. Readings below 50 per cent are regarded as a sign

Continued on Page 12

White House to redirect US defence effort

By George Graham in Washington

THE Clinton administration has unveiled a strategic defence plan aimed at US forces being able to win two nearly simultaneous regional conflicts as the country moves from its cold war goal of defeating the Warsaw Pact.

The plan, which follows a five month "bottom-up review" ordered by Mr Les Aspin, the defence secretary, would reduce US troop strengths by around 150,000 to 1.4m by the year 1999, and would cancel weapons development programmes such as the Navy's A/FX bomber and the Air Force's future multi-role fighter.

The review proposes keeping around 100,000 troops in Europe and 100,000 in Asia for the foreseeable future.

Mr Aspin said the new force structure, including 10 active Army divisions, 11 Navy aircraft carrier groups with one reserve carrier, and 13 active Air Force fighter wings, had been dictated mainly by the need to prepare for regional contingencies such as the Gulf war or a potential conflict with North Korea.

"The regional danger is the main thing that drove the size of the defence establishment that we are presenting," Mr Aspin said, adding that enhanced mobility and improved weaponry would also make US forces better adapted to this kind of conflict.

The review recommends keeping enough troops to handle two regional conflicts at the same time, but economises on sea and air transport, expecting that the US will not need to lift more than one army at a time into war zones.

Mr Aspin declined to detail the budget implications of the review until next week, but defence analysts said it would result in only small savings from the earlier Base Force plan developed under former president George Bush.

The Washington Post reported earlier this month that the plan would cost about $20bn more over the next five years than President Bill Clinton has budgeted for.

The Aspin plan, approved by Mr Clinton earlier this week, would retain two fewer active army divisions than the Bush proposals. It would keep the same number of carrier battle groups – although with one of the carriers in reserve – and just over two fewer air wings.

The review had been widely expected to recommend the cancellation of the A/FX, which the Navy wanted to replace its ageing A-6s, and of the MRF. Congress may, however, take issue with some of the other elements in the plan.

Aspin sets the stage, Page 6

Reuters

Russian vice-president Alexander Rutskoi yesterday faced dismissal by president Boris Yeltsin for alleged corruption. Page 2

Murdoch plans new Asian channels, German pay-TV

By Raymond Snoddy in London

MR RUPERT MURDOCH, chairman of News Corporation, one of the world's largest media companies, last night outlined ambitious plans for expansion including a German television deal and new channels including a "open university" for Asia.

The announcements came as Mr Murdoch addressed a banquet in London to mark the launch of a new multi-channel satellite TV package that will make up to 20 channels available in the UK.

Mr Murdoch said five of the world's biggest industries – computing, communications, consumer electronics, publishing and entertainment – were converging into a dynamic whole. He outlined a series of deals, acquisitions and developments designed to ensure that News Corp will be "part of this process of economic expansion".

They included:

- A deal between Pro 7, the German broadcaster associated with the Kirch Corporation, to develop pay television in Germany covering as many as six channels. Eventually, Mr Murdoch said, the service could be available to 100m German-speaking viewers.
- The launch in Asia of a wide range of new programming including an "open university", and educational channels using the Star satellite system in which News Corp recently bought a controlling interest.
- A deal with Televisa of Mexico to produce 500 hours of multi-lingual popular drama. The soap operas will first be shot in Spanish then redone on the same set using the same script using American actors.
- A deal in the UK with British Telecom and Cellnet to explore digital "super highways of the future" with a 500-home experiment combining access to telecommunications, TV shows, movies and specialist information.

News Corp also spent $12m last week on acquiring a small electronic publishing company Delphi Internet Services which can handle electronic newspapers.

Mr Murdoch's company owns the Fox television network in the US, where it also publishes TV Guide, the New York Post and the Boston Herald. In the UK, it owns five national newspapers, including The Times and the tabloid Sun, the country's largest selling daily.

News Corp controls the satellite broadcaster BSkyB (in which Pearson, owner of the Financial Times, has a stake), Hong Kong-based Star TV and the South China Morning Post. It also owns the Australian, a national newspaper in his native country.

Sky's new package, Page 6

CONTENTS

 No 32,155 Week No 35 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Fighting talk by German car chief

By Christopher Parkes in Frankfurt

GERMAN industry is in danger of toppling into a domestic battle with "everyone against everyone else" as it struggles to master its current costs crisis, according to Mr Helmut Werner, chairman of Mercedes-Benz.

Such a clash would be part of the penalty to be paid for managements' tendency in the past to place too much emphasis on harmony and not enough on competitiveness, he told journalists. He appealed for a "constructive conflict" in which participants would find a path between the extremes of the traditionally cosy industrial relationships and damaging in-fighting.

Speaking as head of the central pillar of Germany's biggest industrial concern, Mr Werner clearly marked out Daimler-Benz's position in a rapidly-intensifying national debate on the country's economic and social future.

The Bonn cabinet is expected today to approve a government paper on possible cures for the rigidity of the nation's industrial and social structures, and what is called its "growing unwillingness to accept innovation and change".

While the economy as a whole is burdened with the immense costs of unification, Germany's export-oriented industry is struggling to adapt to increased global competition. The motor industry, labouring under a 30 per cent costs disadvantage against the Japanese, is under unprecedented pressure.

Mr Werner implicitly rejected the rough-and-ready attempts by some companies, notably Volkswagen, to force concessions out of suppliers.

He also refused to accept the continuation of the "inhibiting social comfort consensus", in which the avoidance of friction between labour and management, and even between companies, was considered paramount.

But he made plain his belief that the core strengths of the German way of doing business could be restored to the national advantage. "It is our job to reactivate German management culture: a symbiosis of creativity and efficiency," he said.

Mercedes itself aimed to improve productivity by 15 per cent next year, partly by shedding 14,000 jobs. "Productivity in stagnating markets must be paid for with jobs," Mr Werner said.

Hinting at future workforce reductions, he said that in order to remain competitive, German manufacturers would have to improve productivity by 40 per cent in the next few years.

Industrial production in west Germany rose a provisional 0.5 per cent in July.

Manufacturing output rose 1 per cent, more than compensating for a 2.5 per cent drop in mining and a 3.2 per cent fall in construction, the Economics Ministry said yesterday.

However, it warned that following an upward revision of the June month-on-month figures, it expected a downward revision for July.

The region's seasonally-adjusted index of industrial production stood at 111.6 at the end of July, compared with 110.6 in April and the second quarter average of 111.0.

Aggregate figures for June and July, compared with the April and May total (a measure considered less subject to short-term distortions) also showed a 0.5 per cent improvement.

Dismissal of vice-president Rutskoi raises constitutional doubts

Yeltsin tells rival he is sacked

By John Lloyd in Moscow

PRESIDENT Boris Yeltsin of Russia yesterday ordered the sacking of his vice-president and most dangerous political challenger, in what his opponents have dubbed the opening of his "September offensive" against his enemies.

The attempt to dismiss Mr Alexander Rutskoi for alleged corruption appears to be unconstitutional and was declared so by Mr Ruslan Khasbulatov, leader of the anti-Yeltsin parliament.

The sacking of the vice-president was "balanced" by the dismissal of Mr Vladimir Shumeiko, first deputy prime minister and a Yeltsin ally. However, Mr Shumeiko announced later that he had been released from his duties at his own request

Both dismissals were said to be "temporary", and both derive from alleged misuse of state funds earmarked for essential imports, allegations about which have been traded freely between the two men.

They come at a time when the political situation in Russia has deteriorated into a static confrontation between the various levels of authority – a situation which threatens to impede economic reform and continued financial assistance from the west.

Though Mr Yeltsin has a history of avoiding decisive confrontations, the attempt to dismiss Mr Rutskoi pits him squarely against his opponents and may herald a new round in the struggle for power between president and parliament.

Significantly, the move was made the day after Mr Yeltsin inspected the army's crack Tuman division near Moscow, units of which protected him during the abortive coup in August 1991.

Both Mr Rutskoi and Mr Shumeiko are under investigation, although Mr Gennady Ponomaryev, Moscow public prosecutor, told a newspaper yesterday that "we do not see a crime" in the evidence presented about Mr Rutskoi. The vice-president, speaking from northern Russia, said that "this man [Yeltsin] has put himself above the fundamental laws of the constitution".

A statement from the presidential office said the dismissals had been made "in connection with the harm mutual accusations of corruption by the two men bring to the state".

Mr Yeltsin justified his action on the constitution he has vowed to replace. But none of the clauses cited includes the right to sack his vice-president, who was elected with him in June 1991.

The dubious constitutional validity of the decree sets Mr Yeltsin directly against a parliament which sees its main task as defending the existing, Soviet-era constitution. Mr Mikhail Mityukov, chairman of parliament's legislative committee, said: "The president cannot deprive the vice-president of his status, since they were elected at the same time."

Mr Ilya Konstantinov, leader of the opposition National Salvation Front, said: "This is obviously the first decision in a series of actions combined under the slogan of 'September offensive' which the president promised us."

Even Mr Andranik Migranyan, a presidential council member, said the news was "completely unexpected" and admitted that "perhaps he does not have the right to do it".

Esko Aho: "Community logic is the basis of our demands"

Finnish premier insists EC must change policy

By Hugh Carnegy in Helsinki

THE European Community must accept the need for policy changes to accommodate the proposed accession of the three Nordic applicants, Finland, Norway and Sweden, Mr Esko Aho, the Finnish prime minister, said yesterday.

Spelling out Helsinki's position ahead of what will be the toughest phase during the autumn of the simultaneous accession talks between Brussels and the three, Mr Aho said the climatic and geographic conditions of the region warranted financial support for sectors such as agriculture.

"We cannot change the climate. The main question is whether we are able to get such support which creates even rules for competition for Finnish farmers and farm industries," he said.

Officials said position papers approved this week by Mr Aho's centre-right government, which will be put to Brussels as early as today, demanded EC subsidies for Finnish farmers worth FM3.5bn (£407m) a year, with a further FM3.5bn coming from the Finnish government. They also call for the maintenance for a transitional period of trade barriers to protect the Finnish food processing industry and EC aid for remote Arctic and sub-Arctic regions.

The EC has signalled sympathy for the special needs of the Arctic regions, but has yet to show its hand on the question of new subsidies, particularly given the severe constraints on its budgets.

"That is the problem, maybe, inside the Community. It means that they have to accept, in a way, new policies - a new approach – like they did when Portugal and Spain joined. Then it was the southern approach. Now it is a question of the northern approach," said Mr Aho in an interview.

"These positions we have presented are based on Community systems so that Community logic is the basis of our demands," he said. Negotiations with Finland have been considered the least difficult of the three sets of Nordic accession talks (negotiations are also under way with Austria) as public feeling remains hostile to the EC in Sweden and especially Norway. But opinion is still finely balanced in Finland and Mr Aho, whose party is split on the issue, is anxious to drive as hard a bargain as possible with Brussels to ensure victory in a referendum promised before scheduled accession in 1995.

He also clearly believes the recent crises within the community on the Maastricht treaty and on currency co-operation have increased the EC's need to score a success in the enlargement talks, thus strengthening the Nordic countries' bargaining positions. "If the Community is not able to reach its goals in this field, I think somebody is going to ask what is going to happen to the Community," he said.

France may alter asylum controls

By John Ridding in Paris

THE French constitution may have to be amended to strengthen controls against political asylum-seekers, Mr Edouard Balladur, the prime minister, said yesterday.

But in an attempt to defuse a potentially damaging dispute with Mr François Mitterrand, the Socialist president, Mr Balladur, a conservative, said he favoured a minor revision of the constitution through parliament, rather than a national referendum on the issue. He said a final decision would be taken following further talks with Mr Mitterrand.

Pressure to revise the constitution was triggered by a ruling last month from France's constitutional council.

The council struck out elements of a tough new anti-immigration law drawn up by Mr Charles Pasqua, the interior minister, and said that asylum-seekers had to be guaranteed the right to apply for refuge in France and to appeal against rejections from other European Community states.

Mr Pasqua, who argues the freedom of movement in the EC would prompt a flood of asylum-seekers into France, has called for a revision of the constitution to prevent such an outcome. But President Mitterrand, seeking to protect the rights of political refugees, has resisted constitutional reform.

Mr Balladur, faced with a serious challenge to the harmonious "cohabitation" he has enjoyed with Mr Mitterrand since taking office in March, has sought a compromise solution,

There are currently about 4m legal immigrants in France and an estimated 1m illegal immigrants. Economic recession and the influx of émigrés from eastern Europe have heightened concerns on the issue.

Western groups to buy more from the east

By Judy Dempsey in Potsdam

WESTERN Germany's largest companies plan to double their purchases from eastern German enterprises by 1995 despite high labour costs and low levels of productivity in the five new Länder, the Federation of German Industry announced yesterday.

The project to "buy east German", launched last February, is aimed at reviving the region's economy. It is supported by a range of west Germany's biggest companies, including motor manufacturers and retail and mail-order chains. Although it is progressing slowly, several purchasing managers from west Germany said yesterday they would help improve the quality, marketing and efficiency of goods bought in the east.

When the project was launched purchases of east German goods and services by western German companies since early 1991 totalled DM14bn (£5.6bn), against eastern purchases from western Germany amounting to DM174bn. Ms Birgit Breuel, president of the Treuhand privatisation agency, said this would reach an annual figure of DM25bn by early 1995.

"There are goods to be bought. This offensive is aimed at integrating the two economies," she said yesterday. The long-term effects of the scheme, she added, would entail transferring crucial "know-how" and management skills to the east.

Some companies – Audi, for example – have set up a special east German section in its purchasing department. Mr Erich Schmitt, a member of Audi's management board, said the company had already spent DM600m a year on buying spare parts from eastern Germany. "The enterprises in the new states have to know what we want. Despite the high labour costs, there are some advantages. Since productivity is so low, we can improve the efficiency fairly quickly.

"There is greater scope for more flexibility.

"We have to get it into our heads that eastern Germany is a place which we must automatically include in our contracts. That demands a change in the mentality of western German businesses," he added.

Swedes find hard times far from over

The biggest problems are still very much there, writes Hugh Carnegy

JUST as the Swedes were beginning to believe the worst was behind them in the country's deepest recession since the 1930s, a leaked report last week from the International Monetary Fund highlighting the dire state of the public finances came as a painful warning that the hard times are far from over.

Rising exports – boosted by last year's big devaluation of the Swedish krona – improving industrial profitability and tumbling interest rates had combined over the summer to produce a conviction that the economy had at last touched bottom after more than two years of decline. The stock market boomed through the spring and summer and all the forecasts were of a return to growth, albeit modest, by 1994.

The consensus that the economy will expand by around 1.5 per cent next year, after three years in which it will have shrunk by nearly 5 per cent, has not changed. But the IMF report provided a stern reminder of how far Sweden still has to go in the struggle for sustained recovery.

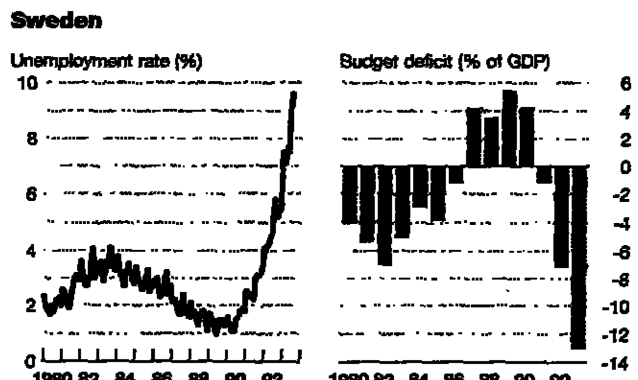
"People are longing for good news and there is some," commented Mr Hubert Fromlet, chief economist at Swedbank. "But we shouldn't over-estimate the good news. We still have a lot to do."

Two deeply entrenched problems – unemployment and the yawning budget deficit – still loom ominously over the economy. Tackling them means confronting the issue of how much further Sweden must go in reforming its famously extensive welfare and social security structures.

The IMF report, according to newspaper reports that have not been denied, in effect called for much greater dismemberment of the "Swedish model". It criticised the level of public spending for having "weakened incentives to work and to save", created "a cripplingly high level of overall taxation" and produced a "public sector deficit that dwarfs those in other industrial countries".

It said the government's plan to cut SKr10bn (£833m) in spending and bring the deficit down from what it estimated to be more than 16 per cent of gross domestic product (higher than other estimates) now, to 4.3 per cent in 1988 was inadequate. It said cuts should be doubled to SKr20bn a year.

Prime minister Carl Bildt's centre-right government was not much out of sympathy with the thrust of the IMF criticism. It came to power in 1991 committed to stripping back the state's role in the economy and cutting taxes. But the depth of the recession – and especially an unprecedented real jobless rate of 13 per cent of the labour force – has limited its options.



The fear is that too hard a fiscal squeeze could jeopardise the return to economic growth. In any case, Mrs Anne Wibble, the finance minister, is already under fire from the Social Democratic opposition for her medium-term plan to cut SKr26bn in transfer payments and SKr35bn in public consumption.

With a general election due in September 1994, the government is hoping conditions will have improved sufficiently by then to head off the Social Democrats, who have abandoned a consensus approach on the economy and want a shift towards stimulating consumption, given the low level of inflation.

There are signs of a turnaround. Industrial output bottomed out at the turn of the year and is set to rise by more than 2 per cent in 1993 as a whole. Exports are rising sharply, up 15 per cent this year, in large measure due to a more than 20 per cent depreciation in the Swedish krona since it was floated last November.

The government can claim that reforms it has enacted – chiefly cuts in corporate and marginal income taxes made early in its tenure – have helped create a climate for recovery. But it faces a bleak outlook on what amounts to the central political issue, unemployment.

The export-oriented sector may be producing and earning more, but it is not adding significantly to its workforce. The domestic economy is still mired in recession and is not expected to return to growth at least until late next year. Unemployment is likely to peak at up to 18 per cent just before the election.

Government policies are partly responsible. Cuts in public spending and measures to increase savings, by cutting the tax deductibility of interest payments, are holding down demand. There is a lag in the stimulation effect from falling interest rates as households and companies prefer to unwind debt rather than spend or expand. Private consumption is set to fall by nearly 4 per cent this year and remain negative next year.

The question is not whether the government will adopt the IMF's way, but whether it can stick to the more modest path it has set itself. With the election clock starting to tick, it will be a hard enough road to follow.

Inflation up slightly in Italy during August

By Robert Graham in Rome

ITALY'S inflation rate rose by 0.1 per cent in August, the lowest monthly increase since 1986. The figure suggests that Mr Carlo Azeglio Ciampi's government will be able to meet its target of an annualised rate of 4.5 per cent this year.

Last week Confindustria, the industrialists' association, maintained that the annualised rate at the year-end could even be lower than envisaged by the government. But a recent report from Salomon Brothers was more cautious, predicting a rate of 5 per cent, reflecting in large measure the continued impact of devaluation.

The August figure reflects the depressed state of the economy. Normally in August restaurants, bars and hotels as well as food shops tend to raise prices. This year prices have either been held or reduced.

According to a report released yesterday, restaurants saw their custom fall by 30 per cent last month and 13 per cent lowered their prices. At the same time many stores discounted goods in sales.

The other important factor in gradually pulling Italy's inflation rate into line with that of its main EC partners is that pay lags inflation by as much as 2 percentage points.

González attempts to force the pace on pay policy

Spain's PM has thrown off post-election lethargy and is aiming for an agreement this month, writes Peter Bruce in Madrid

THE END of the August holiday is stressful for Spaniards. They go quiet, sleep badly and snap at their friends. The meeting today in Madrid between the government, unions and employers, to try to negotiate an incomes policy, promises to be trying.

This is not least because, having done little about Spain's recession since winning a fourth term in the June 6 general election, Mr Felipe González wants a three-year "social pact" agreed by September 20, when the draft of the 1994 budget first gets to parliament.

Agreement on wage moderation has become the centre-piece of his efforts to pull Spain out of recession and it may also affect his own political survival. Hasty deals are the stuff of Spanish politics, though, and the pact the government is looking for – a near freeze on wages and dividends next year and small rises in 1995 and 1996 – could easily be settled on time.

Mr González needs the deal in place quickly in order to make next year's deficit-curbing budget look plausible. He has developed a grudging respect for the market forces which battered the peseta into three devaluations in the past year and now appreciates the need to match his reputation for pragmatic policy-making with policies that are actually carried out. Spain has strayed well beyond its budgeted deficits ever since it joined the European Community in 1986.

Luckily, the government has had a relatively happy summer. Despite record 21.2 per cent unemployment and the recession, the Madrid stock market has recovered to levels not seen since before the Gulf war and foreign investors have been flocking to auctions of government bonds. The peseta has shown great strength against the D-Mark, despite the loosening of its float.

But this is all based on hopes that Spanish interest rates will fall, and that will only begin to happen (if the Bank of Spain has its way) if wage growth slows and the budget holds the public deficit in check.

Neither the unions nor employers have been complimentary about an incomes policy but, as talks begin, it is going to be hard for either to be spoilers without being obvious. The government will make concrete proposals: wage freezes next year in the civil service and public companies and a ceiling of around 2.5 per cent in the private sector. Companies would be asked to limit dividends.

Officials insist the government, purged of expansive left-wingers, is going to be tough. "We have to stabilise this economy," says an aide to the new finance minister, Mr Pedro Solbes. "If we have deficits, they should be the deficits we budget for."

By July the public deficit (central government plus social security) was 65 per cent bigger than last year's, worth nearly 6 per cent of gross domestic product as the recession hit tax revenues and boosted unemployment benefits. To finance its borrowings, Spain will spend nearly 5 per cent of its GDP this year just paying interest. Overall, public debt is worth 45 per cent of GDP now, say officials, and if nothing is done to slow it, that figure would rise to 60 per cent in just two years.

The main problem is pensions. After a general strike on December 14 1988, Mr González accepted union demands to raise pensions and to widen the jobless benefit net. State pensions, which accounted for 9 per cent of GDP in 1988, will account for 11 per cent this year. The state paid Pta2,000bn (£9.85bn) in pensions in 1982. This year it will pay Pta7,500bn.

The 1994 budget, officials say, will try to hold this year's deficit constant, but just to stand still the government is being forced to consider changing the way it calculates pensions and to cut spending on infrastructure.

The pension debate will be the most bitter. Madrid wants to base state pension payments on forecast inflation for the year and not, as now, on the inflation outcome the year before. Madrid's inflation forecasts are routinely lower than the actual outcome.

Under the control of Mr Solbes, who is not a member of Mr González's Socialist party, the Finance Ministry is anxious to sweep away the impression left by the former incumbent, Mr Carlos Solchaga, that budget targets are merely broad guidelines. Mr Solbes wants to hold the public deficit to 4.5 per cent of GDP next year (it will end 1993 at around 5.9 per cent) and to cut it to 3.5 per cent by 1996.

The ministry is also warning that if wage moderation is not agreed voluntarily, it will be enforced before the budget debate begins on September 30.

But does Mr González have the stomach for a fight? He now runs a minority government and is surrounded by smiling allies with long knives up their sleeves. The sharpest belongs to Mr Jordi Pujol, premier of Catalonia and leader of the Catalan CiU, without whose support the Socialists could not survive in parliament in Madrid.

He is highly critical of Madrid in general but has recently been concerned to extract confirmation from the government that it would honour its promised to cede to Catalonia the right to spend 15 per cent of the income taxes the central government raises in the region. Confirmation was quickly given, probably assuring the budget safe passage.

In choosing how hard to fight to hold down wages, Mr González also has to decide how far to push a series of labour market changes the government has said it wants in place by next January. These would make it easier and cheaper for employers to fire workers.

Fortunately for Mr González most of his enemies in Spain will once again be taking his near total silence for weakness, dithering and doubt. This is potentially a big mistake except that this time the government has established a clear and measurable short-term recovery programme which, should it falter even a little, could invite quick retribution from the markets.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

NEWS: EUROPE – THE JOBS CRISIS

The 22m question awaits a creative answer

Europe's unemployment rate is heading for post-war highs, with the OECD forecasting that it will hit 12 per cent next year. In response governments are unveiling jobs initiatives in part familiar and in part radical, with policy-makers no longer able to rely on economic growth, FT writers report.

GERMANY

ATTEMPTS by the German government to stem the rise in unemployment are limited, writes Judy Dempsey in Berlin.

Bonn wants to curb the widening budget deficit, and at the same time make German industry more competitive. The former demands cuts in social spending, the latter requires higher productivity with a leaner work force.

To achieve both, Mr Theo Waigel, the federal finance minister, unveiled two draft laws in August designed to cut social spending in western Germany. The package, spread over three years, would reduce spending by DM77bn (£30.8bn). Unemployment benefits are included in these cuts. For instance, for those with dependents, unemployment benefit and social security payments will be reduced to 55 per cent of the employee's last net pay. Those without dependents will in future receive 53 per cent.

Any attempt to reduce the growing levels of unemployment in eastern Germany is hampered by high wage levels, despite continuing low levels of productivity.

FRANCE

A FIVE-YEAR jobs plan unveiled by France this month reveals the dilemma facing the government of Mr Edouard Balladur as it tries to contain the rise of unemployment while leaving social security and worker protection intact, writes John Ridding in Paris.

The government's proposals are now being discussed with trade unions and will go before parliament next month.

At the heart of the plan is a series of measures to increase the incentives for employers to hire workers and increase the flexibility of the rigid French labour market. The principal proposals include: the transfer of social security payments from companies to the state for workers paid up to 1.5 times the minimum salary of FFr5,880 (£677); the replacement of the 39-hour working week with an equivalent annual total, designed to increase the flexibility of production while reducing overtime costs; The increase in the number of tax-deductible hours that part-time employees can work; the decentralisation of the management of training and apprentice schemes and tax incentives for employers to participate in these schemes.

BRITAIN

THE British government believes the best way to cut unemployment is through reducing the cost burdens on business through deregulation, writes Robert Taylor. But it also runs programmes to reduce the jobless total. These include a business start-up scheme to help the unemployed to start businesses with training and financial advice and community action linked to unemployment benefit.

ITALY

THE Italian government last week took it first step to combat unemployment by accelerating spending on a stream of public works projects, writes Haig Simonian in Milan. Foremost is Italy's ambitious L23,800bn (£10bn) high-speed train network, due to link the country's biggest cities in the next six years.

Spending for a variety of other transport projects has also been accelerated. The conventional railways will receive about L5,000bn a year for the next two years, while about L7,500bn will go on upgrading motorways over five years. Money is also destined for various public building projects.

SPAIN

JOBS currently being lost in Spain are those created under relatively new laws allowing employers to hire people on temporary contracts, writes Peter Bruce in Madrid. Under the Francoist labour system, inherited by Spain's democratic rulers, people already in jobs were guaranteed them for life – a strong disincentive to the creation of new jobs which the Socialist government tried to redress by introducing temporary jobs contracts in the mid-1980s.

Roughly 1m jobs were created using these contracts, especially during the economic boom triggered by Spain's admission to the EC in 1986. Being the most vulnerable, however, they have been the worst affected by the current recession. While the government does have a number of old job creation schemes in place – primarily one which pays employers a subsidy for hiring apprentices on short contracts – it has not responded to the current crisis with new incentives.

NORWAY

THE Norwegian government last week announced plans to introduce a package of measures, valued at an estimated NKr600m (£55m), to create jobs, boost the competitiveness of industry and increase non-oil exports, writes Karen Fossli in Oslo.

Since 1990 the government has reduced industry taxes and tariffs by an estimated NKr8bn and is planning a large-scale transport infrastructure investment programme during 1994-97, which it claims will reduce the annual transport costs of industry by NKr17bn, besides creating new jobs.

DENMARK

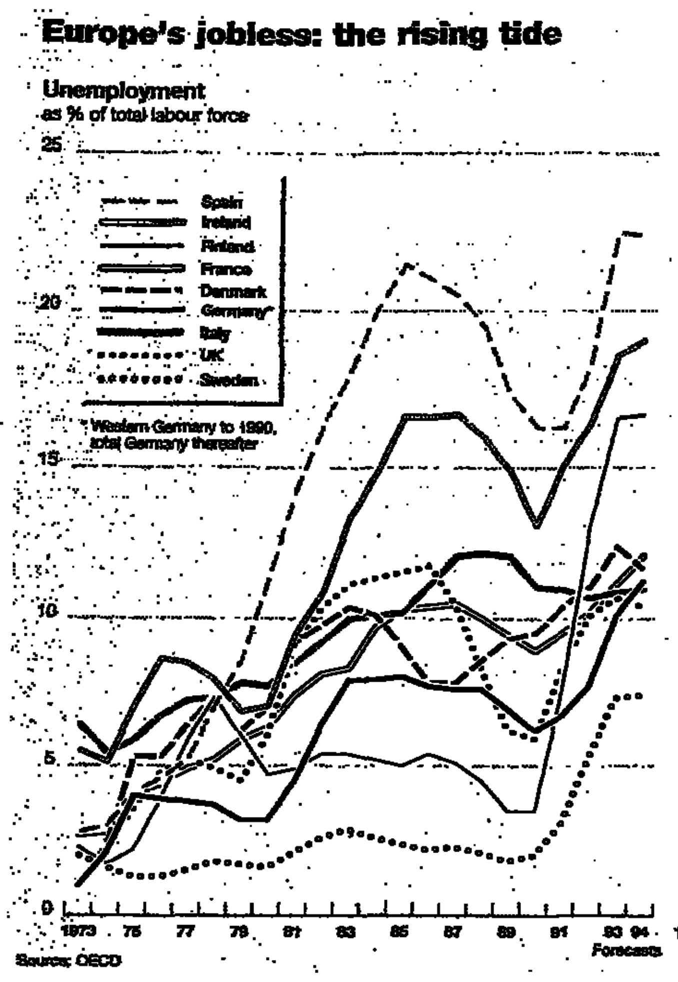
THE Danish government expects to "break the unemployment curve", as the prime minister, Mr Poulf Nyrup Rasmussen, puts it, through an unprecedentedly expansive fiscal policy, including substantial income tax cuts, in 1994-95, writes Hilary Barnes in Copenhagen. It has backed the fiscal policy up with labour market reforms which are designed to increase flexibility and prevent a resurgence of inflation once demand recovers.

SWEDEN

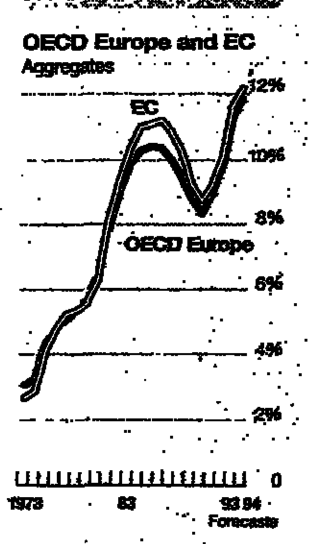
IN Sweden, where recession is in its third year, total unemployment (including those on training schemes) has risen to 13 per cent, writes Christopher Brown-Humes in Stockholm.

One way in which Sweden has responded to the crisis is by announcing a SKr98bn (£8bn) programme to develop the country's road and rail network over the next 10 years. This is in response to the unemployment crisis in the construction sector. Sweden has also developed several new types of job training schemes.

Europe's jobless: the rising tide



Source: OECD



By David Goodhart, Labour Editor

ACROSS EUROPE more than 22m people are out of work. Employers are cutting jobs by the tens of thousands, propelling unemployment towards post-war highs.

By next year, the rate in Europe* will touch 12 per cent against a previous high of 11.2 per cent in 1986, the OECD says.

In recent weeks, several governments have unveiled policy initiatives to tackle the crisis. Some are familiar from earlier waves of high unemployment. Italy, Norway and Denmark, for example, are bringing forward spending on public infrastructure, with the primary aim of employing construction workers. But there is much that is new in both the nature of the problem and the responses to it.

Policy-makers in the 1990s are being forced to seek radical solutions at a time when there is little evidence they can rely on economic growth, as in the past, to reduce unemployment significantly.

"In most European countries, the proceeds of economic growth in the past 20 years have essentially been appropriated by those who have remained in employment. The unemployed have been excluded," says Professor Paul Ormerod of the University of Manchester.

In Spain, the economy virtually doubled in size in real terms between 1970 and 1992 but employment fell by 2 per cent in the same period, Prof Ormerod points out.

Other European economies have shown similar trends. According to the professor, the growth in output and employment from 1970 to 1992 was respectively: Germany, 70 per cent and 8 per cent; France 75 and 7; Italy, 84 and 8; Britain, 53 and 3.

How are policy-makers responding? In much of continental Europe and at the European Commission there is a growing awareness that a new balance needs to be struck between regulation which protects securely employed "insiders" and deregulation in favour of the unemployed "outsiders".

European Commission officials and governments in countries such as France and Spain stress that this does not mean the abandonment of worker protection. Mr Edouard Balladur, the French prime minister, says his government will not use the recession as an excuse to destroy France's system of social protection. But governments and EC officials are examining ways in which distributional goals can be achieved which minimise negative effects on employment.

One way this can be done is by reducing the cost of employment by switching some non-wage labour costs from employers to the state: France, Norway and Belgium have recently chosen this path. Several governments – Spain, Italy and Germany – are also involved in varied attempts to limit pay rises in the hope that pay restraint will create jobs.

More radically, some countries such as Spain and Italy are trying substantially to increase labour market flexibility. That means, for example, making it far easier to sack workers, many of whom have in effect a job for life. In Spain it looks as if a compromise might be possible which involves reducing the cost of sacking established workers in return for tougher restrictions on the use of temporary contract workers.

But throughout Europe, with the exception of the UK, labour market reform to improve employment will not be imposed by governments but will be negotiated through the established institutions of social partnership.

**Figures for OECD Europe, excludes former Soviet Union.*

Veteran Israeli dove sees new era of co-operation in the Middle East

Peres outlines his vision of peace

By Julian Ozanne in Jerusalem

MR Shimon Peres, Israel's foreign minister and the man who clinched the peace agreement with Palestinians in secret talks last week, yesterday outlined his vision of a revolution in the political and economic geography of the Middle East.

The 70-year-old veteran politician and long-time Israeli dove, spoke at a press conference of a new era of peace and economic development based on free trade, open borders, regional integration and mutual respect.

Mr Peres, who arrives in Brussels today to lobby Mr Jacques Delors, European Commission president, for assistance for the Palestinians, said the region could now slash its $50bn a year arms expenditure and develop an Arab-Israeli alliance against extremists on both sides.

He promised pledged Israel would assist Palestinians and help raise foreign capital for a Palestinian entity.

Mr Peres has always been ahead of public opinion on the peace process and it is by no means certain that he speaks officially for the government. But he does represent broadly the centre-left of Israeli politics and, in particular the majority of the Labour movement.

He said it was in Israel's interests to end to the suffering of Palestinians economically, politically and psychologically. "There is nothing better for Israel than a good neighbour," he said.

"Today the Middle East is divided into two parts more than Arabs and Israelis. It is between people who support peace and people who want to kill peace.

"I think the time has come to make a coalition of all parties who support peace in order to prevent and combat those forces that want to assassinate peace," he said.

On arms expenditure and foreign aid, Mr Peres said the Middle East needed not more money but a different structure.

"To be honest we are spending $50bn a year on the arms race. What for? How dare we go and ask other nations to contribute to the Middle East before we ourselves take our own affairs seriously. We have to correct our mistakes and once we correct them I am sure the rest of the world will support gladly the creation of a productive and serious peaceful Middle East."

He said Israel had agreed an agenda for peace with Jordan and, in the most recent meetings, the two sides had dealt only trivial issues "like to whom should the mosquitoes and flies ask for a visa to fly over from Akaba to Eilat. We were left without subjects but for mosquitoes and flies. We can sign tomorrow."

The Israeli foreign minister said there was no reason why Arab nations should not adopt normal diplomatic relations with Israel and lift their economic boycott.

He likened an accord with the PLO on mutual recognition to the French recognition of the Algerian FLN. "When the FLN became a political party the government opened a dialogue. This is the best comparison to our approach...the moment the PLO becomes a political party there will no longer be a problem."

Mr Peres reiterated the Israeli view that a final Middle East settlement should include a confederation between the Palestinians and Jordan.

Reuter

Peres (left) with Egyptian foreign minister Amr Moussa yesterday

Rabin's gambit dishes the Israeli right

The opposition has little chance of defeating the peace moves, reports Julian Ozanne

ISRAEL'S right-wing political parties and hardline Zionists appear unable to block the preliminary peace plan with Palestinians and seem increasingly marginalised by the government's gambit.

Although the right-wing retains considerable support in Israel and an ability to mount unruly protests, the way the peace plan has been framed – granting minimal concessions to Palestinians – has ensured its broad acceptance.

Furthermore, the threat of violent resistance to the agreement from a minority is, so far, not being taken seriously in a country which prides itself on its democratic traditions and its abhorrence of intra-Jewish violence.

Mr Shimon Peres, the foreign minister, said yesterday: "Israel is a democratic country. None of us is afraid in the slightest of people who do not respect the democratic system."

For the moment, the prime minister, Mr Yitzhak Rabin, retains a comfortable majority both in the parliament and in the nation. He has successfully argued that, by leaving the 120,000 Israeli settlers in the occupied territories untouched, by maintaining Israel's control of occupied Arab east Jerusalem and by guaranteeing no let-up on security, the peace plan costs Israel little. So far the Israeli public has endorsed the plan. The only poll conducted has shown 53 per cent in favour.

Once again Mr Rabin, a general-turned-politician, has dished the opposition. He has always argued that Israel could only negotiate from strength and that the Israeli public would only swallow a peace agreement if they were certain their government would protect their security.

Since he was elected last June the 71-year-old prime minister has stolen the security issue from the right-wing opposition Likud party and won considerable respect from Israelis for acting tough. Last December he deported 400 Islamic fundamentalists. In March he sealed off the occupied territories after a wave of stabbings by Palestinians and in July he mounted a devastating seven-day bombardment against Lebanese civilians in retaliation for attacks by Arab guerrillas operating in Lebanon.

Since the peace agreement emerged, the right-wing, led by Likud, has restrained itself to inflammatory accusations of betrayal by Mr Rabin and calls for fresh elections but they look more like spoilers in a sideshow than a real force of opposition.

Mr Rabin has flatly ruled out any new poll saying his election victory last June gave him a sufficient popular mandate for peace.

The prime minister has received support from unlikely sources such as the right-wing Jerusalem Post.

The Israeli right fears a strengthening of the PLO, long branded a terrorist organisation bent on the destruction of the Jewish state; the use of a Palestinian entity as a springboard for attacks against Israel and a civil war among Palestinians. Most Israelis share these concerns but seem ready to take a risk for peace.

In the Knesset debate on the agreement, Mr Peres accused the opposition of being "yesterday's men" and said: "The world has changed completely and only you haven't realised it."

Mr Binyamin Netanyahu, the Likud leader, has recognised the problem the right is facing in its battle to defeat the plan. Although he has raised the prospect of the agreement leading to war with Palestinian militants he said: "We will work within all legitimate means of the opposition to stop this harmful process to the future of Israel. We will do it in the Knesset and we will do it in the street."

Mr Yitzhak Shamir, the former Likud prime minister, has also threatened to lead the nation "against the breaking up of our country. The government will not have a single quiet day until this treacherous plan is cancelled," he said.

But so far the nation has not risen up with the right. A demonstration on Monday night attracted a couple of thousand protesters. In another opinion poll of Jewish settlers, only 2 per cent said they would consider violent resistance to the peace agreement.

Inside the cabinet the peace plan was passed by 16 votes to two. Although Mr Rabin is facing a coalition crisis following charges of fraud brought against two members of the ultra-religious Shas party, most Labour MPs believe that even if the two ministers resign, Shas will stay in the coalition or, at the very least, continue to support the government from the back benches.

Inside parliament, Mr Rabin can count on a 67-53 peace majority composed of Labour (44), the left-wing Meretz bloc (12), Shas (6) and Arab MPs (5). The prime minister, however, sensitive to Jewish concerns about a peace deal dependent on the votes of Arabs and left-wingers, is trying to broaden his support.

Intense negotiations are under way with Agudat Yisrael, an ultra-orthodox party, which has three MPs. According to Israeli political experts orthodox political parties, in facing the peace issue, must balance pikuah nefesh – saving lives – against giving up land.

Many observers believe Agudat Yisrael will support the agreement but will not join a coalition which includes the left-wing Meretz bloc.

If so Mr Rabin's parliamentary majority will increase to 70-50.

Mr Peres yesterday raised the prospect of the development of a new alliance in Israel and the Middle East among those who support peace. Such an alliance of the centre would leave the Israeli right more and more alienated.

Nordic foreign ministers yesterday agreed to provide NKr1bn (£93m) to help rehabilitate the Palestine Liberation Organisation and build transport and power facilities in Gaza and Jericho, writes Karen Fossli in Oslo.

Norway and Denmark pledged NKr250m each, while Denmark said it may contribute up to NKr300m and Sweden offered NKr200m.

PLO meets to discuss terms

By Julian Ozanne

MR Yassir Arafat, the PLO leader, was last night meeting his executive committee to take one of the most decisive steps in the organisation's history: signing a document which commits the PLO to recognising Israel and giving up its armed struggle against the Jewish state.

In Jerusalem Mr Shimon Peres, foreign minister, said Israel objected to 15 of the 33 clauses of the Palestinian National Covenant, the PLO founding charter, which call directly or indirectly for the destruction of Israel.

Mr Peres said a document on mutual recognition was ready to be signed if the PLO pledged itself to four conditions:

- The PLO must issue a communique that all those items calling for the destruction of Israel are now invalid.
- The PLO must make a clear announcement of its complete rejection of violence and "terrorism" and declare that all disputes will be settled by peaceful negotiation.
- The PLO must recognise "loudly and clearly" the right of Israel to exist in peace and security.
- The PLO must commit itself to UN resolutions 242 and 338 as the basis for future negotiations.

Mr Peres said Israel was not demanding that the PLO give up its demands for the repatriation and compensation of Palestinians displaced when Israel was founded in 1948.

PLO rules require that the charter can only be amended with a two-thirds majority of the Palestine National Council – the Palestinian parliament-in-exile. But Mr Peres said Israel would be satisfied with an unambiguous document signed by the PLO.

HK investors warm to mainland cooling

With market reforms on course, austerity measures are not being seen as a threat, writes Simon Davies

AS THE source of two thirds of all foreign investment in mainland China, Hong Kong is closely watching Chinese vice-premier Zhu Rongji's moves to rein in an over-heating economy. But while the colony's businesses may be toning down publicity of their mainland investments, few are toning down the projects themselves.

The main concern for Hong Kong investors is not so much the state of China's economy, but the state of its reform programme. With Mr Zhu's reformist rhetoric continuing, confidence has returned and China deals are being be signed rather than cancelled.

Mr Edward Cheng, director of Wharf Holdings – a company with a number of significant China investments – admits that the austerity measures will take their toll on Hong Kong businessmen. "But," he argues, "those who will be affected are the short-term speculators. For the long-term investors the slow-down will create genuine opportunities."

According to Credit Lyonnais Securities, Hong Kong listed companies have "committed" to China investments worth a total of HK$86bn (£7.4bn), primarily in infrastructure, property, manufacturing, leisure and retailing.

The retailers and property developers would be the obvious casualties of a collapse in the yuan, the Chinese currency, and of an austerity programme which focuses on eradicating property and stock speculation. But few appear particularly apprehensive.

Mr Anthony Nightingale, managing director of Jardine International Motors, whose associate company owns the Mercedes franchise for southern China, confidently predicted that sales would "more than double" this year. The company sells mainly top range models to Chinese joint venture companies, at HK$500,000 before tax.

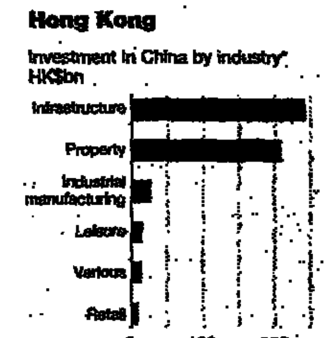
The Mercedes has become the ultimate status symbol for southern China's born-again capitalists, many of them the speculators or corrupt officials Mr Zhu wants to bring under control. So far the evidence is not of an excess of austerity.

Mr Dickson Poon, who recently set out to bring his range of luxury brand names to the Chinese, said his strategy had remained unchanged. His company, Dickson Concepts, is investing HK$400m in setting up both stores and a manufacturing capability in China. "Since our opening [in May] we have experienced extremely stable sales. There has been no negative impact on the sales side since the announcement of the austerity programme," he said.

By March 1993 Dickson Concepts will have opened 30 fashion boutiques, two fashion stores, and 10 luxury watch outlets in China, selling a wide range of brand name products, from Charles Jourdan to Rolex.

However, 90 per cent of these products will be manufactured in China, which reduces both costs and currency risk. Mr Poon said he was convinced the long-term investors would reap significant rewards.

Hong Kong



Source: Credit Lyonnais Securities.
*Planned projects involving Hong Kong listed companies. Figure includes Chinese partners' investment

Retailers focusing on imported goods have been harder hit because of escalating costs and the impact of currency depreciation. But as one merchant banker commented: "Retailers were paying a fraction of the labour and land costs of Hong Kong, but charging double the prices for the product. It could never last."

Nor, it seems, could the spiralling in southern Chinese property prices, which was chiefly the result of mainland and Hong Kong speculators, rather than any build-up in demand.

The austerity plan focuses on rechannelling existing financial resources from property speculation back into more productive activities. A recent study by property consultancy C.Y. Leung indicates that this has already taken its toll, with residential property prices falling 29 per cent this year in Hong Kong's border city of Shenzhen.

For the smaller players the austerity programme could be a chastening experience. Mr William Cheng, managing director of listed property developer Shun Ho Construction, said: "From an investor's point of view, we are currently faced with an artificially propped up currency and a situation where the rules could all have changed by next year. Investors are going to wait."

The more substantial property developers, however, have always played a long-term game. Mr Peter Churchouse, research director at Morgan Stanley, said: "What the big developers have been saying is, let's get a foot in the door and see how this market works. These companies have played the game very well, tactically."

Malaysian tycoon Mr Robert Kuok has pulled out of a HK$3bn commercial development in Beijing and New World Development cancelled an investment in the re-development of a Beijing department store.

However, both withdrawals resulted from disagreements with the joint venture partners rather than concerns over the state of the market; other Hong Kong companies are considering the two projects.

The larger Hong Kong investors have concentrated on building up cheap supplies of land in core areas within the main cities, and their initial financial commitment remains small. The other primary focus has been basic infrastructural projects, such as power stations, roads and ports, where the costs are higher, but the demand is irrefutable.

A Baring Securities report on 59 of the largest listed companies in Hong Kong calculated that an average of only 2 per cent of their total assets were in China and only 3 per cent of pre-tax profit was derived from there.

A more salient concern for most investors is the knock-on effects of the austerity programme on assets within Hong Kong. There could be a significant impact on the colony's role as a service centre for China's trade and manufacturing, combined with the effects of an outflow of Chinese capital – as much as HK$50bn is estimated to have flowed into Hong Kong's property market during the past 18 months.

If Mr Zhu achieves his soft landing for the mainland economy, Hong Kong's pioneering China investors should flourish. But if he fails, they will not be alone in facing the consequences.

India cuts interest rates again

By Stefan Wagstyl in New Delhi and R C Murthy in Bombay

INDIA yesterday cut interest rates in an attempt to reverse a two-year slowdown in economic growth.

The government believes that, without more signs of growth, Indians could become disenchanted with its programme to modernise and open up the economy.

Industrialists last night welcomed the interest rate cuts but said the government would have to do more to stimulate the economy.

The Reserve Bank of India, the central bank, cut the commercial banks' minimum lending rate by one percentage point to 15 per cent and the maximum deposit rate by the same margin to 10 per cent. They were the fourth cuts since the central bank started easing rates from a peak of 19 per cent last autumn.

The reductions are designed to promote steady growth following a sharp monetary squeeze in 1991-92, when rates were raised to curb inflation and to help defuse a balance of payments crisis by choking off demand for imports.

Inflation has since fallen from a peak of 16.3 per cent to 6.2 per cent and the country's balance of payments position has improved markedly thanks to a recovery in exports and an inflow of savings from Indians living abroad. Foreign exchange reserves have soared fourfold to $7.2bn (£4.86bn).

The reserve bank had signalled its intention to cut interest rates in mid-October but brought forward the reduction because of slack demand for funds from industry.

Industrialists are responding to the government's economic reforms with corporate restructuring, talks with potential foreign partners and the announcement of investment plans. But they have so far been reluctant to commit themselves to spending money.

Growth in industrial output could fall short of the government's forecast of 6-7 per cent for the year to the end of March next year because demand for steel, machinery and other capital goods is still weak, despite export growth in some industries, notably textiles. Exports in the first three months of the financial year rose 27 per cent.

The Confederation of Indian Industry argues that minimum lending rates should be no more than 3 per cent above the rate of inflation, or about 9-10 per cent. This would be difficult to achieve without extensive financial reform, including abolition of rules which force banks to direct cheap credit to priority borrowers such as state industry.

Also, the government is struggling to control its own borrowing. It promised to cut the fiscal deficit from 6.5 per cent in 1991-92 to 5 per cent last year and 4 per cent in 1993-94. In fact, last year's figure was 5.7 per cent.

Reuter

Schoolchildren wear protection in an earthquake drill in Tokyo yesterday marking the 70th anniversary of the Great Kanto earthquake

Japan moves on economic reform

By William Dawkins and Robert Thomson in Tokyo

JAPAN'S new government has proposed 60 economic deregulation measures in the first step of a broad campaign to curb costly anti-competitive practices.

The outline measures paved the way for deep reforms in Japan's economic structure, although the short-term impact would be unclear until the government published full details towards the end of the month, analysts said in Tokyo.

The package could, in the long term, reduce market restrictions to foreign companies and bring a widespread fall in prices and increased consumer demand, they said.

This will be an important test of promises by Mr Morihiro Hosokawa, the new prime minister, to shake up the Japanese system. It will be followed closely by the US government, keen to see evidence of attempts to raise import demand.

The plans include cuts in gas and electricity rates of most benefit to industrial users, easing of controls on the construction of big discount stores, fewer curbs on discount drinks retailers, the opening of satellite broadcasting to foreign competition and the deregulation of mobile telephone sales.

The package proposes an end to the minimum production ceiling for brewers, which would eventually open the oligopoly of four Japanese brewers which has controlled the Japanese beer market for the past 30 years.

The measures were agreed in principle at a cabinet meeting on Tuesday evening, for detailed publication before the end of this month. Half the measures would be implemented before the end of March 1994, but around 10 required legislation, said government officials.

However, this is not the first time that such proposals have been made and they are strongly opposed by powerful industry groups. But the government is confident the plans will be realised. In this, it would be helped by the powerful Ministry of Finance in its eagerness to promote deregulation to deflect pressure for an income tax cut, said analysts.

China opens up jobs to competition

By Tony Walker in Beijing

CHINA has begun throwing open its top bureaucratic jobs to competition as part of an overall reform of what the Chinese call their "cadre employment system".

The State Commission for Restructuring the Economy, an important government "think tank", is seeking applications for the position of director of one of its affiliated research institutes.

This is the first time a central government agency has sought to fill the director's position by open examination, according to the China Business Times newspaper.

More and more senior cadres will be selected through public examination and competition, instead of appointment from higher authorities, the paper reported.

Applicants for the research institute job will be required to take a written exam and undergo an oral test before qualifying for a one-year probation.

Appointments to senior jobs in a sprawling and opaque bureaucracy have generally relied on a system of patronage and "back door" deals rather than merit.

China recently announced that it would reduce its 10m-strong bureaucracy by about 25 per cent. It has also begun streamlining its bureaucratic superstructure, getting rid of a number of specialised departments and "ad hoc" organisations under the State Council, or cabinet.

At the recent National Political Congress, or parliament, ministries, commissions and other organisations under the State Council were cut from 86 to 59 in an effort to deal with problems of duplication.

NEWS: THE AMERICAS

Bill seeks end to California tax conflicts

By George Graham in Washington

CALIFORNIA'S Senate has passed a bill that legislators hope will settle the British government's complaints about the state's system of worldwide unitary tax assessment and ward off retaliation against California-based companies operating in the UK.

The bill, which is expected to be considered by the state assembly's revenue and taxation committee today, would address the three main complaints foreign companies make about the operation of the California tax system.

Since 1988, companies have been able to choose an alternative, known as water's edge assessment, to the controversial unitary system, but have had to pay a fee for this election.

The new bill would abolish this fee and eliminate some additional paperwork. It would also remove the right of the California tax authorities to override a company's choice of the water's edge system.

The US federal administration is hoping that the bill will enable it to avoid taking sides between California and the UK in a case brought by Barclays Bank against unitary taxation now pending before the Supreme Court.

British business groups and MPs have said the new legislation does not meet their demands because it preserves elements of the unitary system, and are urging the UK government to maintain its threat to refuse Californian companies a tax credit they now receive if the issue is not settled by the end of this year.

Under a unitary assessment California may tax a company on a proportion of its worldwide income, rather than only on income earned within the state. Because this method of assessment conflicts with the methods used by other countries and contained in the US's bilateral tax treaties, it can give rise to double taxation.

Californian legislators warn, however, that the new bill is as far as they will go to amend the unitary tax law.

Suspended president plans to appeal in Venezuela

MR Carlos Andrés Pérez, Venezuela's suspended president, said yesterday he would appeal to the Supreme Court against Congress's decision to block him from returning to office even if he is acquitted on corruption charges, writes *Joseph Mann in Caracas*.

A joint session of the Congress voted on Tuesday night to make permanent last May's suspension of Mr Pérez from the presidency following allegations of embezzlement and misuse of public funds. Congress also voted to ratify the interim chief executive, Mr Ramón José Velásquez as interim president, and authorised him to serve out the remaining five months of Mr Pérez's term. Earlier in the day the high command of the Venezuelan armed forces restated their support for President Velásquez.

Mr Pérez, who began his five-year term as president in February 1989, was suspended from office on May 21 after the Supreme Court and the Senate voted that there was just cause to try him for alleged mishandling of $17m in funds from a secret government account used for security and defence operations. Mr Velásquez took over as interim president on June 5.

Tuesday's voting broke down along party lines, with Mr Pérez's Democratic Action party (AD) voting against the move. A group of small political parties joined forces with the Christian Democrat party (Copei) to oust Mr Pérez, who must still face the corruption charges.

The unprecedented congressional action raised questions about the constitutionality of permanently removing an elected president from office before judicial proceedings against him are completed, and could set a precedent for a similar action in the future. Supporters of Mr Pérez called the congressional decision unconstitutional and an act of political revenge.

Aspin sets stage for defence switch

George Graham looks at the thinking about the wars US may have to fight

MR Les Aspin, defence secretary, had plenty of practice at the theoretical exercise of drafting a force structure design for the US military in his previous role as chairman of the House of Representatives armed services committee.

The results of the Bottom-Up Review he announced yesterday draw heavily on some of the concepts he worked with before, but they also show the Pentagon's own thinking.

After submitting to Congress *a budget for 1994 he frankly* described as "treading water", Mr Aspin has now completed the more detailed review he promised would set the stage for more radical changes in the US defence budget.

The review is based on a complete change in the threats and missions the US armed forces are to be built to confront. Instead of preparing for the third world war, the US military strategy will now be based on the need to be ready for two nearly simultaneous regional conflicts.

There has been much debate at the Pentagon in recent months over the "win-hold-win" and "win-win" concepts for dealing with such big regional conflicts – a debate which has wide implications for the size of the US forces.

A force structure geared to winning a single big regional conflict would, according to Pentagon documents, require eight active army divisions, eight navy aircraft carrier battle groups and 10 air force active fighter wings.

A strategy based on winning one such conflict while containing a second conflict until the first was won – the win-hold-win strategy – would require another two army divisions, two more carrier groups *and three more fighter wings.*

To be able to win two nearly simultaneous big conflicts and have spare capacity for action elsewhere such as peacekeeping, as Mr Aspin has decided, adds another two divisions, two carrier groups and a fighter wing to the force.

Some outside defence analysts believe this structure to be excessive. They argue there have only been three such big regional conflicts in 50 years – Korea, Vietnam and the Gulf – though the Soviet Union loomed throughout as the big threat.

Gen Colin Powell, chairman of the Joint Chiefs of Staff, acknowledged yesterday that it was not really likely that two such wars would confront the US simultaneously, but he argued that it would be "irresponsible and unwise" not to prepare for the possibility; failure to do so could encourage *the very eventuality that the* US sought to avoid.

Gen Powell said the review assumed potential attacks by Iraq and North Korea, but said that this was merely a basis for planning the force structure.

"History teaches us that we never really fight where we thought we were going to fight. The forces you buy with this assessment might well be used in a conflict you never dreamed of," he said.

By gearing forces only for "nearly simultaneous" conflicts, however, the US can save a lot on its strategic lift capacity, essentially preserving only enough sea and air transport capacity to transport to one front at a time.

Improved air and sea lift, nevertheless, are a big component of the Pentagon plan to adapt US forces to meet the different kinds of task they will be required to handle in the future. Mr Aspin said the Pentagon would either continue the programme to buy the new but controversial C-17 transport aircraft or buy other airliners to replace the ageing C-141s, and would also keep a brigade of heavy armour permanently afloat on ships that could be sent to the Gulf or to north-east Asia at short notice.

Other "enhancements" to improve the flexibility and capability of US forces would include:

- Adding ground attack capability to the navy's carrier-based F-14 fighters.
- Modifying B-1 and B-2 bombers to enable them to drop conventional weapons as well as nuclear.
- Developing smart rockets and missiles for the army.
- Preparing brigade-size *National Guard* units to back up active units, instead of whole National Guard divisions, which have in the past taken longer to reach full readiness.

The Bottom-Up Review was supposed to be driven only by an assessment of the forces the US would need to defend itself in the future, not by the need to meet a budget savings target, and Mr Aspin yesterday ducked questions on the budget implications of the plan.

Nevertheless, critics are already charging that by preserving a force structure that is only slightly slimmer than the Base Force planned by Mr Richard Cheney, President George Bush's defence secretary, the Bottom-Up Review may have jeopardised the development of defence programmes for the longer term, when more dangerous threats may have emerged.

"We really aren't in a position to pursue a rich man's strategy any more. What we really need is a bottom-up review that looks not only at short-term requirements but also establishes a security posture for the medium and long term," said Mr Andrew Krepinevich of Defence Budget Project, a Washington group that monitors defence spending.

US FORCE STRUCTURE

	1993	Cheney Plan	Aspin Review
Army active divisions	14	12	10
Navy aircraft carriers	13	12	12
Navy ships	443	450	346
Air force fighter wings	16	15.25	13
Nuclear submarines	22	18	18

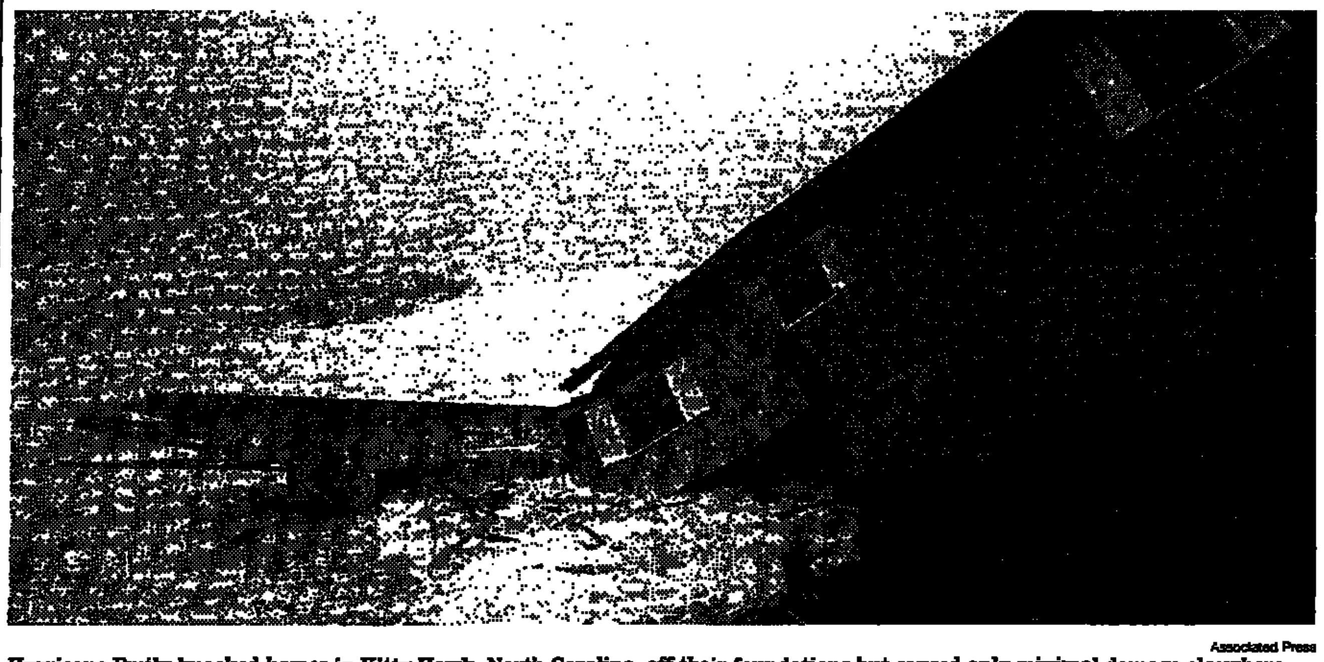
Brazil leader pulled into banking row

By Angus Foster in São Paulo

BRAZIL'S President Itamar Franco has become embroiled in a growing row with Mr Luiz Antônio Fleury Filho, governor of Brazil's most important state, São Paulo, and a senior figure in the PMDB party, the government's biggest backer in Congress.

The argument started when the president sacked one of Mr Fleury's political allies last week, after an internal squabble at the country's development bank. On Tuesday another supporter of Mr Fleury, Mr José Antonio Barros Munhoz, resigned as agriculture minister in sympathy, raising fears that the PMDB, with five ministers in the president's cabinet, would withdraw its support.

Party leaders appeared yesterday to be trying to avoid confrontation, saying they would decide at their national convention in 10 days' time whether to continue supporting the government. Some PMDB members have said their support would depend on being given a more active role in formulating economic policy. Withdrawal of PMDB support would leave the government without a working majority in Congress.



Associated Press

Hurricane Emily knocked homes in Kitty Hawk, North Carolina, off their foundations but caused only minimal damage elsewhere

Freeh sworn in as fifth FBI chief

MR LOUIS FREEH was yesterday sworn in as the fifth director of the Federal Bureau of Investigation, Reuter reports from Washington.

Mr Freeh, 43, a former FBI agent who later served as a federal prosecutor and judge in New York City, was nominated by President Bill Clinton in July to replace Mr William Sessions, who had been appointed by former President George Bush. Mr Sessions was fired by Mr Clinton for weak leadership and abusing the privileges of his office.

Mr Clinton said he hoped the FBI in the 1990s would become best known for cracking down on drug lords and terrorists.

NEWS: WORLD TRADE

France proposes more EC curbs on unfair trade

By David Buchan in Paris

FRANCE yesterday unveiled its plan for a tougher European Community policy against unfair commercial practices, which has become one of Paris's priorities in the Gatt world trade negotiations.

France is proposing that Europe should imitate the US in instituting speedier and more automatic anti-dumping investigations and in aggressively retaliating against unfair trade practices, including those of the US, partly as a means of getting Washington and other Gatt partners to give Gatt greater powers to police world commerce.

In the four-page memo which it has sent to EC partners, France proposes the EC executive be allowed more leeway to investigate European industry's complaints about dumped or subsidised imports and to impose punitive duties. Specifically, it backs a Commission plan which would make it harder for EC governments to stop the EC executive imposing dumping duties or safeguard curbs against imports.

Mr Gérard Longuet, France's trade and industry minister, cited a recent EC-US trade liberalisation deal in heavy electrical equipment, re-opening of talks on Japanese car imports into Europe, and recent curbs on imports of Russian aluminium and East European steel to show the EC could flex its commercial muscles. But such action often came too late for European and French industry, he lamented.

Yesterday saw the arrival of German officials in Paris to discuss France's ideas about refashioning the draft US-EC farm agreement.

Mr Alain Juppé, the French foreign minister, said the two countries positions "are not yet harmonised".

Kodak files dumping claim against Japanese

By Michiyo Nakamoto in Tokyo

EASTMAN KODAK, the US film company, has filed an anti-dumping petition against Japanese photo product makers for allegedly selling colour photographic paper in the US at prices below those in their domestic market.

Kodak said that Japanese manufacturers were selling paper for colour prints at dumping margins of up to 300 per cent. The company condemned the Japanese action as "an illegal trade practice".

"This is inconsistent with free and open competition," Mr Robert Hamilton, vice president and general manager, US and Canada Region, Imaging, said.

The companies cited include Fuji Photo Film and its Dutch subsidiary, Konica, Oriental Photo Industrial and Mitsubishi Paper Mills.

Japanese photographic product makers have been expanding in the US, which has become their second largest market after Japan. While Fuji has taken about 10 per cent of the US market for colour film, it has about 50 per cent of the Japanese market. Kodak, which has been in the Japanese market for over a decade, has often complained that the Japanese film market is dominated by Japanese makers and closed to outsiders.

Fuji said yesterday that since it had not received a copy of the petition yet it did not know what prices Kodak was referring to in its dumping claim. Colour negative photographic paper is sold to wholesalers and laboratories, which charge for the prints that are made with the photographic paper.

Konica said that it was not exporting photographic paper to the US any more since it had a manufacturing plant there which met demand for the North American market.

Kodak's charge follows claims of dumping against Japanese steelmakers recently, claims against carmakers earlier this year which did not lead to formal charges, as well as a formal anti-dumping petition against Japanese-made defrosters in February and against steel products in May.

Thai road plan dispute worsens

By Victor Mallet and William Barnes in Bangkok

MR TAKAO Ninomiya knew his $1bn elevated motorway project was in trouble when he received more than three weeks' notice from the police of a demonstration against his company by angry motorists.

A dispute between Thailand's Expressway and Rapid Transit Authority (ETA) and the Bangkok Expressway Co Ltd (BECL) – the Japanese-led contractors' consortium of which Mr Ninomiya is managing director – came to a head this week when the ETA, citing the possibility of violence by frustrated drivers, won a court order for the immediate opening of the completed stretch of motorway.

Many residents of Bangkok, believing the new 20km road would relieve the city's notorious traffic congestion, were delighted.

But investors and bankers were enraged by what they regard as bullying tactics by the Thai authorities, and said international financing for some $30bn of planned Thai infrastructure projects would be jeopardised.

BECL and its main shareholder Kumagai Gumi did not want the motorway opened until the dispute over revenue-sharing and other matters was resolved. BECL's advisers say the road, which could be opened today by Mr Chuan Leekpai, prime minister, has not even been officially certified as safe.

Behind the posturing lies a fundamental dispute over the contract, which BECL believed to be a 30-year build-operate-transfer deal (although Mr Sukavich Rangsitpol, ETA governor, insists BECL should transfer legal control to the ETA immediately).

BECL is concerned about the late delivery of land for future parts of the road by the ETA, and about who will collect toll fees and handle the cash, although a dispute over the level of the tolls themselves appears to have been resolved after the cabinet agreed to the 30 baht ($1.20) per car fee established in the contract.

NEWS IN BRIEF

Nokia in German move to cut costs

NOKIA, the Finnish electronics group, has shifted production of its small-screen television sets from the Far East to Germany, claiming that the move will cut costs and improve quality, Andrew Adonis writes. Nokia, one of Europe's top three television manufacturers, expects to reduce its production costs by up to 20 per cent by concentrating television production in Germany instead of continuing with an arrangement with Sanyo, the Japanese supplier, in Singapore.

The shift involves a DM20m (£8m) investment in two new production lines, but no net increase in employment.

Mr Heikki Koskinen, president of Nokia's consumer electronics division, said he believed the move was the first of its kind in the industry. "It will enable us to unify our development and production efforts, and offers the prospect of a reasonable margin at a competitive price."

Although it returned to profit in the first four months of this year on the back of fast expanding telecommunications sales, Nokia's consumer electronics division is still making losses, like those of most of its European competitors. The division accounted for a third of Nokia's sales.

Swiss withdraw opposition to air deal

The Swiss government has withdrawn its objection to Swissair entering into a co-operation agreement with KLM Royal Dutch Airlines, Scandinavian Airlines System and Austrian Airlines, Ian Rodger reports from Geneva.

The government, which has a 7 per cent stake in the Swiss national airline, said that after discussions with Swissair directors it was satisfied the so-called Alcazar project would secure the airline's future. It added that it would be prepared to change laws restricting ownership of Swissair.

The four airlines aim to complete a memorandum of understanding by mid-September, covering an operating agreement that could lead ultimately to a full merger.

Ansaldo wins UAE power contract

A consortium led by Ansaldo, the engineering subsidiary of the Italian state-controlled Finmeccanica group, has won a L800bn (£335m) contract for a power station and desalination plant in the United Arab Emirates, Haig Simonian writes from Milan.

The complex, at Mirfa, involves a 180MW power station using four Siemens 45MW gas turbines and a desalination plant capable of purifying 16.2m gallons of water a day.

The new plant, to be ready by end 1995, will supply electricity and irrigation water. Ansaldo will supply alternators, heat exchangers, the desalination facility and electric units, while Bologna-based Fochi Energia will handle installation. Civil engineering work will be done by the local subsidiary of Belgium's Six Constructions.

Chicago back-room operator to sell Nafta

Laurie Morse on a Daley drafted in to lead ratification drive

THE MAN President Bill Clinton has chosen to head the task force to help get his free trade pact with Canada and Mexico ratified may lack experience in international trade arenas. But he comes to Washington well prepared for the kind of back-room political arm-twisting that will be required to persuade a divided Congress to pass it.

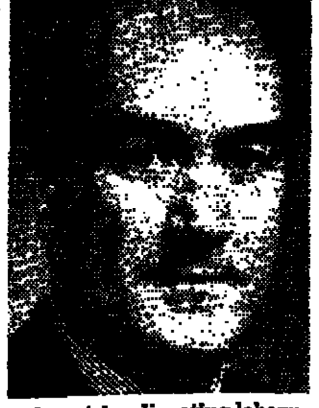
William Daley is younger brother and chief adviser to Chicago's mayor Richard M Daley and offspring of the legendary Democratic machine "Boss", the late Richard J Daley. Unlike his hot-tempered and very public brother, 45-year-old Bill Daley is a smooth-talking behind-the-scenes operator with important connections in Washington and long-standing ties with organised labour. He has never run for political office.

Mr Daley accepted the Nafta position after being passed over for a cabinet position and turning down an offer to be Mr Clinton's chief negotiator at the General Agreement on Tariffs and Trade in Geneva.

He chaired Mr Clinton's election campaign in Illinois, where he delivered 48 per cent of the vote to Clinton, above the national average, and continues as a tangible supporter. Most recently, he arranged a posh Chicago dinner for the president that raised $1m (£670,000).

However, Mr Daley's appointment to chair the White House's task force on the North America Free Trade Agreement is not a cosy political payoff. Recent polls show that as many as two-thirds of the American people do not support Nafta, and grassroots opposition fuelled by labour groups is growing.

Mr Clinton himself reserved his support for the deal, negotiated under George Bush's administration, until side agreements dealing with environmental and labour issues were reached last month. Many Democrats in Congress, including some in the powerful Illinois delegation, are uncommitted. With the agreement fated to unravel if it is not ratified by January 1, the battle for congressional support will be fierce, fast, and visible.



Daley: risks alienating labour

Mr Daley was chosen for the job, Chicago observers say, because he has proven he can sway votes and is willing to take the risk of losing a controversial battle. "Bill Daley is no Washington neophyte. Clinton needs someone with political sense to move this thing through Congress, and Daley has the connections," says a fellow Washington lobbyist.

Opposition to Nafta comes from core Democratic constituencies, making it a potential political pothole for Mr Clinton. Mr Daley's talents have been summoned, insiders say, to convince moderate Democrats to back the agreement.

The president needs 218 votes in the House to ratify Nafta. The administration counts 125 Republicans in favour of the agreement. Clinton ally and fellow Chicago Democrat, Mr Dan Rostenkowski, chairman of the House ways and means committee, is expected to deliver the 20 Democrats on his committee. However, Mr Rostenkowski is under investigation for improper use of his post office perks and faces an uneasy future.

By rough count, Mr Daley will have to marshall 73 votes from Democratic representatives of states standing to gain the most from the agreement: those along the border with Mexico and those with big agricultural, consumer product, or manufacturing export interests.

His Chicago-style back-room muscle will be an invisible counterweight to the public tactics of Nafta's most prominent opponent, Mr Ross Perot. Mr Perot's populist anti-Nafta campaign touts the "giant sucking sound" that will be heard as Nafta-loosened jobs flow south of the Texas border.

"It is a very interesting juxtaposition of styles," says Chicago political commentator Mr Bruce DuMont. "Bill Daley is like a Stealth bomber. You may not see him, but you'll see the results."

Mr Daley has taken four months out from his Chicago law firm to lead the Nafta push. He recently rejoined the firm after a three-year stint as president of the Amalgamated Bank of Chicago, which was founded by the Amalgamated Textile Workers union in 1922. Although it passed into private ownership in 1966, its board is still dominated by high-profile union officials.

Mr Clinton may be banking on Mr Daley's union ties to help the Nafta effort. However, Mr Daley, by pushing Nafta, runs the risk of alienating his union supporters. Mr Jim Jontz, former congressman from Indiana and director of the anti-Nafta Citizen's Trade Campaign, said: "I don't know why Bill Daley would want to be in a position like that. It's just wrong."

Swan Hunter loses Omani military order to France

By David White and Chris Tighe

PROSPECTS for Swan Hunter, the struggling warship builder on Tyneside in north-east England, have suffered a further blow with the loss of a crucial Omani order to French competition.

The Cherbourg shipyard Constructions Mécaniques de Normandie said it signed a firm contract yesterday to build three large patrol craft for Oman's navy.

The contract, worth about £50m, is expected to lead to orders for up to five more vessels of the same type.

Swan Hunter, in receivership since May, was counting on winning the order to enhance its appeal to potential buyers. It has no shipbuilding orders beyond the completion of work on three Type 23 frigates for the British navy.

Failure to win the Oman order has set back hopes of selling the company as a shipbuilder. Union officials said it was likely to cost 100 more jobs from a workforce of 1,700, already cut by 700 since May.

Mr Eddie Darke, the union official leading the Save Our Swans campaign, attacked the government for failing to back Swan Hunter's bid with £8m worth of performance and other guarantees.

Joint receiver Mr Gordon Horsfield of Price Waterhouse said the news was "obviously a disappointment" although not unexpected. He indicated Swans was unlikely to win orders of this type until a buyer was found for the yard.

Yesterday's deal is a French breakthrough in what has traditionally been a British preserve. CMN and Swan Hunter were both shortlisted after the Dutch shipyard Royal Schelde was eliminated from the contest. Vosper Thornycroft of the UK also competed initially.

Vosper received an order from Oman last year for two larger vessels – missile corvettes together worth about £150m. The Omanis opted to equip them with French Crotale missile systems. In another fierce Middle East contest, CMN and Vosper are vying with other European builders to supply missile-carrying patrol boats to Kuwait.

The French yard, which employs 500 people, has seen its fortunes revive since it passed to new ownership early last year under a specially-formed company, Soffia. But the company said it was "far from saturated" with orders.

The 54-metre vessels to be supplied to Oman are of the same type as the French navy's P400 fast attack craft, built by CMN in the late 1980s.

Sky launches 12-channel package

By Raymond Snoddy

MR RUPERT Murdoch, chairman of News Corporation, yesterday formally launched Sky Multi-Channels in London with the help of a boa constrictor, a Humphrey Bogart look-a-like and crowds of children.

More channels are being offered to viewers but fewer are "free". British Sky Broadcasting – in which Pearson, owner of the Financial Times has a significant stake – will now be essentially a subscription service paid for month by month.

From today, only Sky News of the original six Sky Television channels will be freely available across Europe. Without a subscription, viewers will no longer be able to see Sky One, the most popular channel.

For the consumer, £6.99 a month – £3.99 a month until the end of the year – will buy a 12 channel package ranging from Sky One and Discovery, the factual channel, to Country Music Television, UK Living and Nickelodeon, a children's channel. Within this package, only MTV, the pop music channel, and Sky News will be freely available. Buy one of the premium services such as Sky Sports or Sky Movies and the monthly bill rises to £11.99. The entire package will cost £19.99 a month.

Broadcasters such as Viacom and United Artists Programming of the US, which have joined the Sky package, will get 15p per subscriber each month.

Tony Andrews

Rupert Murdoch yesterday: "it was our marketing drive that got the dishes on the roofs"

The move to subscription represents both a risk and an opportunity for Mr Murdoch.

If more viewers can be persuaded to pay for extra channels, revenue could be generated which could make BSkyB and its affiliated channels one one of the most powerful forces in British broadcasting.

Mr Murdoch will face new competition in October from Mr Ted Turner who plans to launch two new channels in the UK – TNT, a channel which includes films, and the Cartoon Network. These are in addition to his existing Cable News Network. All three will be available without subscription and could form the nucleus of a collection of channels funded by advertising.

● News Corporation has cut the price of The Times, its quality UK national daily, by 15p to 30p.

The move follows an experimental price cut in the county of Kent which produced a consistent rise in circulation of between 12 per cent and 15 per cent since it was introduced on August 2.

Court setback for Costco

Guy de Jonquières, Consumer Industries Editor

A HIGH Court judge yesterday granted Britain's three largest supermarket chains the right to an early hearing in their attempt to block Costco, a US-owned warehouse club, from opening its first UK outlet in Thurrock on the eastern outskirts of London.

The ruling by Mr Justice Brooke came as Hertsmere district council approved in principle an application by Costco to open an outlet at Bushey on the northern edge of London.

The J. Sainsbury, Tesco and Safeway store chains are jointly opposing the decision last May by Thurrock council to award Costco planning permission for a warehouse as a wholesale operation and not as a retailer.

Costco, which plans to sell goods ranging from baked beans to car tyres at deeply discounted prices, argues it is not a retailer because it will sell only to club members.

But the supermarkets say Costco should be subject to planning rules similar to those imposed on retailers.

The supermarkets' legal challenge had not been expected to be heard for at least 18 months, well after the planned opening of the Thurrock warehouse in late November. Mr Justice Brooke set no date for a hearing, but said it was "in the public interest" for the issues raised to be settled quickly.

He also denied Costco leave to appeal against his decision and awarded costs against the company.

The case will be watched closely by many retailers as a test case with important implications for competition in the industry. The supermarkets, which have invested large sums in superstores, fear Costco and other warehouse clubs would have an unfair advantage if they were not required to operate from scarce and expensive retail sites.

BRITISH ASSOCIATION FOR THE ADVANCEMENT OF SCIENCE

Health cards may list personal risks

By Nuala Moran

BETTER UNDERSTANDING of the interaction between genes and the environment, which controls an individual's susceptibility to disease, could lead to personal health cards that identify areas of risk and enable individuals to monitor their progress.

This could be one result of a new field of research called ecogenetics which examines the way an individual's genetic make-up responds to environmental factors, for example chemicals, food additives or smoking.

Professor Mark Ferguson of the Department of Cell and Structural Biology at the University of Manchester yesterday told the British Association conference at Keele University in the Midlands that this would allow healthcare to be better targeted and more cost-effective.

Not all environmental agents cause disease in all people, so there is clearly a genetic basis to susceptibility, he said. "Understanding how different individuals respond to different external factors is of major importance in trying to understand and prevent, as well as treat, a number of important disorders."

If the main susceptibility genes could be mapped, it would be possible to produce a health passport for every individual and everyone could be given appropriate preventive advice and screening.

"Everyone knows of the association between smoking and lung cancer but not everyone who smokes is at risk of the disease," Prof Ferguson said. "Ecogenetics will make it possible to make predictions about an individual's risk." He said that would make anti-smoking information much more potent. "Humans respond better to warnings about individual risk than to blanket prescriptions."

It would be possible to target screening services such as breast cancer to those with a known genetic risk. It would also help to spot the disease in its early stages when treatment is more effective. "The health service could be transformed from one dealing with disease to one where preventive medicine was dominant," he said. Health cards would create ethical problems, Prof Ferguson added. Insurance companies might use them to discriminate against people with known susceptibilities to disease.

THE INTERNATIONAL pharmaceutical industry is carrying out clinical trials on 33 drugs intended to improve memory in elderly patients, said Professor Brenda Costall of Bradford University's pharmacology department. "The memory-enhancing drugs will not do anything in the normal brain, but they do help if the memory is impaired through age," she said. One of the drugs is Zofran, which Glaxo of the UK sells as a treatment for nausea in patients receiving surgery or chemotherapy.

Shut more hospitals, says head of review

By Clive Cookson, Science Editor

MORE LARGE inner-city hospitals should be closed according to Sir Bernard Tomlinson, author of the government report which last year recommended closing several London hospitals.

"Every city should take a fresh look at its hospital base," Sir Bernard told the British Association meeting.

"Actual closure of hospitals has so far mostly involved smaller peripheral or speciality hospitals, but it is now necessary to consider the closure of some large hospitals, most of which are in inner cities."

Sir Bernard, former professor of pathology at Newcastle upon Tyne University, said the main factor forcing change was medical progress which enabled family doctors to treat at home many patients who would previously have required hospital care.

He said London's health services needed greater changes than those of any other city. "No other city has such a concentration of expensive teaching hospitals," he explained. "Specialist medical and surgical units abound across a few square miles." In contrast, Sir Bernard said, London's primary services are worse than those of any other city, with fewer medical, nursing and support staff.

Central bank says recession will return

By Emma Tucker, Economics Staff

RAPID ECONOMIC expansion will fuel inflation and usher in another recession after only a few good years, Mr Eddie George, governor of the Bank of England, warned yesterday.

Mr George said in an interview with Securities and Investment Review that the UK's economic policymaking establishment should learn from its mistakes. Commenting on the boom of the late 1980s, he said: "Very simply, the mistake was that we let the pound get out of hand and lost control of inflation as a result. That is something we have to avoid in the future."

The governor said his personal ambition was for growth to increase faster than inflation. "You should not settle for anything less than an effective elimination of inflation," he continued. In reality, this is probably captured by the zero to 2 per cent medium-term objective which the government has set," he said.

Mr George gave the impression that he was against significant tax increases, adding that the public-sector deficit would benefit from the resumption of growth. "The impact of economic activity on the deficit can be larger than people allow," he said, cautioning against instant solutions to restrain the public borrowing.

● The recovery in the UK will not be strong enough to make a big dent in the budget deficit and tax increases will be necessary over the next few years, the Economist Intelligence Unit predicted yesterday.

The unit expected recovery to continue in the second half of this year at the same pace as in the first, but said tighter fiscal policy and slow earnings growth would prevent it from gaining further momentum.

The unit expected the economy to expand by 1.4 per cent this year and 2.2 per cent next year. Growth in 1995, 1996 and 1997 will not rise above 2.3 per cent, it suggested. It was convinced that the government's medium-term aim of bringing inflation down to the bottom of the 1 per cent to 4 per cent target range would be "forsaken in favour of stronger economic growth".

It concludes that retail price inflation will average about 3.9 per cent over the period 1994-97.

Fledgling index seeks friends

Emma Tucker on an attempt to emulate a respected US indicator

ONE OF the most closely tracked economic indicators in the US is the widely known National Association of Purchasing Managers (NAPM) index, which has been compiled since 1931. Its smaller UK counterpart has been running for only two years, and exerts far less influence on markets.

The US index is based on a survey of purchasing managers who control the spending of hundreds of billions of dollars of corporate cash each year. Economists believe the index gives an early indication each month of the health of the manufacturing sector.

The theory behind the survey is that purchasing managers anticipate the needs of growing businesses and cut spending when business slows. The index is constructed from their responses on output, orders, purchases, delivery times, stocks and employment – all of which which give an early indicator of trends in manufacturing output.

The US methodology is used in the UK by the Chartered Institute of Purchasing and Supply, which gathers the responses of 250 purchasing managers every month.

The latest results of the UK survey indicate that manufacturing output is continuing to expand, although more slowly than in previous months.

The good news is that the index remains above 50 per cent, indicating that there has been expansion in the manufacturing economy for the seventh consecutive month.

The bad news is that the August reading of 51.8 per cent was the lowest figure in the UK index since February, possibly indicating a slowdown in the pace of expansion in the manufacturing sector. While valuable as an early indicator – the UK purchasing managers' index indicates the trends in manufacturing several weeks before the official data is produced – the index suffers because it has been compiled for such a short time. That means the institute has been unable to develop a system of seasonal adjustment, a shortcoming which lowers the value of the index in the eyes of some economists.

"We often refer to the purchasing managers' index," said Mr Neil Williams, UK economist at County NatWest Investment Management. "But . . . it is not as accurate as the monthly Confederation of British Industry survey which has a high correlation with manufacturing output."

Nonetheless, the purchasing manager's index is gaining fans and the results of the monthly inquiry are now watched by the Treasury.

The UK Treasury stated in a recent assessment of the UK index that it acted as a potentially useful early-warning indicator of current trends in manufacturing activity.

So far this year the index has certainly proved fairly accurate in signalling robust rises in manufacturing output, which later showed up in official figures. Given time, the UK index may take on the hallowed status of the US NAPM.

"The [UK] index ought to be something that people are looking at over here," said Mr Robert Barrie, economist at Barclays de Zoete Wedd in London. "It gives a good handle on what is going on right now, rather than the official data which is always retrospective."

N-plant faces legal challenge

By Bronwen Maddox, Environment Correspondent

GREENPEACE, the environmental pressure group, yesterday won permission to bring a High Court challenge against the government's decision to allow radioactive testing of the Thorp reprocessing plant at Sellafield, north-west England.

But the court also ruled yesterday that British Nuclear Fuels can begin testing the £2.8bn plant's systems with uranium ahead of the two-day review, which is set to begin on September 14.

Mr Justice Brooke described yesterday's debate as "an extremely difficult and controversial field in which very strong views are felt by a large number of people".

Both sides claimed victory in the latest round of the increasingly complex deliberations about whether the plant should be allowed to start reprocessing used nuclear fuel.

BNF said: "We welcome the news that Greenpeace have failed in their attempt to halt uranium [testing]." Ms Bridget Woodman, Greenpeace's nuclear campaigner, said: "We are very happy to have won our application to seek judicial review."

Greenpeace's lawyers will now ask the Court of Appeal to overturn the decision to allow testing. It said that could still prevent the plant becoming contaminated with radioactivity because "BNF told us after the hearing that radioactive material will not be introduced into the plant for the next six days".

The Cumbria reprocessing plant, which has taken nearly 10 years to build, was completed early this year. But opposition from environmentalists and MPs has delayed the granting of a licence to the plant.

Last week, ministers told BNF it could begin testing the plant with radioactive material to save time if a licence is eventually granted.

Britain in brief

Regions are angry at bid for EC aid

Defence groups yesterday criticised the government for seeking only £15m in regional aid from the European Commission to help areas hit by military spending cuts.

Organisations representing regions where falling defence orders have led to plant closures and thousands of job losses said the application for a share of the £100m Konver fund would not cover the costs of helping companies diversify into civilian production.

Under the Konver scheme, the government had until yesterday to submit its spending needs to help areas dependent on the defence industry.

The government said Britain was seeking Ecu20.1m in aid, which would be matched by the government, local authorities or the private sector.

In Lancashire, north-western England, where defence cuts have been blamed for 7,000 job losses in recent years, officials expressed dismay at the UK submission. Mr David Miller, director of economic development at Lancashire Enterprise, said: "We've already won matching funds for projects worth £11m next year. Now the government is only offering us £2.4m – the money just isn't enough."

Officials at the Department of Trade and Industry denied the government had submitted an application for less money than Britain deserved.

In Brussels, the Commission said aid to Britain could be increased in future years.

University rejections up

Rejections of candidates by universities have increased by 10 per cent this year compared with last year.

The figures confirmed predictions that admissions would be much tighter following better A-level results than expected and a cut in government funds for arts courses.

Cabinet moves criticised

Mr Gordon Brown, shadow chancellor, said there should be a delay of at least two years between a minister's leaving office and taking up a post in private business.

He was responding to the announcement on Tuesday that Mr Norman Lamont, former chancellor, had been appointed non-executive director of merchant bank N.M. Rothschild less than four months after his departure from government. He remains an MP.

"The public will be very concerned about cabinet ministers moving straight from the cabinet room to the boardroom of companies heavily involved in privatisations," Mr Brown said.

BR to contest door claims

British Rail said it would contest legal action over the safety of doors on some InterCity trains after a series of accidents in which passengers died falling from carriages.

InterCity, the high-speed division of BR, is facing the first compensation claims relating to the doors since a Health and Safety Executive report in May criticised the locks on older rolling stock.

The executive called for modifications to doors following 165 deaths between 1981 and 1990.

MANAGEMENT

Forced to plough new furrows

As competition increases UK farmers must sharpen up their sales skills, argues Alison Maitland

It's a story that would make Popeye green with envy.

An old, established farming family sets out to transform the popular image of spinach as a bitter-tasting vegetable covered in soil, which turns to gritty slime when cooked and is only forced down because it does you good.

The family cuts the young leaves above ground level to avoid the dirt and packs them in oxygen-filled, perforated bags to increase their supermarket shelf life from a few hours to three days.

Britons subsequently develop a taste for American-style spinach salads and the family company raises its share of the UK fresh spinach market from 20 per cent to 75 per cent in four years.

John and William Emmett's vision won them an award from Adas, the British government's agricultural development service. It says they provide a shining example of what can be achieved through successful marketing, a technique under-used by farmers in the UK.

This deficiency in marketing skills is part of the reason for Britain's £5.9bn trade deficit in food and drink, nearly half of last year's total deficit. In comparison, most of Britain's north European competitors, with similar climates and types of agriculture, have food trading surpluses.

This difference in performance has prompted a serious bout of soul-searching, including the personal intervention of Prime Minister John Major. He has set up an Initiative on Food Marketing, chaired by David Naish, president of the National Farmers' Union, and brings together senior representatives of the food industry.

Industry leaders in Britain believe that more than half of the country's food trade gap could be filled with home-grown produce.

To find out why retailers and processors import food rather than purchase home-grown produce, Adas conducted an anonymous survey of 100 leading food buyers, published this summer. Their answer was that British farmers excelled in producing clean, fresh, flavoursome food, but fell down badly on effective marketing and responsiveness to customers' needs.

"If I ask British producers for something different, or a slight alteration to their product, it's like coming up against a brick wall," said one respondent.

Another complained: "If I want to source cauliflowers in the UK, I have to rush about for hours trying to find a suitable supplier. By making one phone call to the Netherlands, I can get a fax back within the hour, specifying availability, prices, delivery and everything else I need to know."

The survey produced indignant protests from UK farmers. Adas, however, is unrepentant in pressing home its message that more market-orientation is needed now than ever before. With the European single market, the reform of the Common Agricultural Policy and the chances of a successful outcome to the Gatt talks, it believes the writing is on the wall for farmers who refuse to adapt.

"They can't be blamed for ignoring marketing in the past, because high support prices under the CAP have encouraged the sale of commodities into intervention stores," says Chris Bourchier, head of agricultural development at Adas.

"But times are changing. With increasing competition and the prospect of reduced subsidies, our producers will have to provide not only a competitive product but a competitive service too, every bit as good as producers abroad."

North European marketing success has been built on the work of co-operatives. These have brought together large numbers of small farmers, ensuring supplies throughout the year to the standards demanded by the increasingly concentrated and powerful food manufacturers and retailers. They have successfully produced a closer relationship between the growers, processors and retailers.

Co-operatives sell 55 per cent of agricultural output in the Netherlands and 50 per cent in France, compared with only 10 per cent in the UK, according to Food from Britain, the promotional agency set up in 1983.

Earlier this year, a government-funded study of food marketing in Britain and the Netherlands – which has a £10bn trade surplus in food and agricultural products – found that Dutch farmers take a longer-term view of their markets and show greater innovation.

The report, by Wye agricultural college, urged British farmers to show greater understanding of the changing needs of their final customers – and the big food buyers.

"These are not trite phrases, they are fundamental to attaining marketing success and too few UK agricultural businesses have come to terms with them," it said.

There are some highly successful co-operatives in the UK, especially in sectors that have not been swaddled by EC farm supports. Kentish Garden, for example, has captured 40 per cent of supermarket soft-fruit sales by extending the growing season and improving presentation. From 15 members and turnover of £160,000 in 1970, it now comprises 58 growers and expects sales this year of £14m.

Some co-operatives have collapsed and others have been ineffective, partly because of farmer interference in their management and marketing efforts. This has discouraged an industry known to prefer tried and tested ways. It also seems that in general British farmers, being bigger and more independent than their continental counterparts, have felt less need for collaboration.

Operating in isolation from each other has meant being isolated from some parts of the food supply chain. And the success of the big supermarkets has resulted in resentment from some sections of the farming community. Out of the £70bn spent by consumers on food in the UK last year, farmers received just £14bn.

Moves to improve communications within the food chain are under way. The Strathclyde project, set up by Safeway in 1991 and managed by Strathclyde University, aims to do just this by bringing together producers, manufacturers, retailers and caterers.

Teresa Wickham, Safeway's director of corporate affairs, is optimistic. "The British producer is waking up to the fact that you have got to have export quality produce on the home market," she says. But she accepts that "people can't switch their whole attitude overnight".

Safeway now buys 82 per cent of its produce in Britain and hopes to raise this to 85 per cent by 1995.

At the producer end, the National Union of Farmers has been trying to open up export opportunities and improve the image of British food abroad with its Food from the Countryside campaign.

Marketing efforts have done little in the past to reduce the food trade gap, but many in the industry believe these new projects will be more successful. The reason for this optimism is that economic circumstances have changed and farmers must therefore change too.

Market forces are, for example, being imposed on farmers almost overnight in the dairy sector, with the ending of the Milk Marketing Board's monopoly next year.

Government intervention of this kind has an important role, according to the Wye college report, but change has to come from within. "It is farmers, collectively and individually, that must instigate improved marketing performance, driven by desire for economic survival and financial gain."

That cultural change, if it happens, will be led by producers such as the Emmetts. Recognising a market for their spinach all year round, they have forged links with Spanish and Italian producers to supply them with produce of the same quality in the winter months when home-grown spinach is not available.

The company is now investing £300,000 in new machinery to double production to 8m packs a year. Chris Kersley, sales and marketing director, says they have the Dutch and Scandinavian markets in their sights and plan to "export with a vengeance".

Coke and chips – of the silicon kind

Malcolm Wheatley looks at the brand valuation of Intel, the semiconductor group

This year's league table of brand valuations, published last month by the US magazine Financial World, contained a relatively unremarked upon surprise. Ahead of all but two of the world's leading brands was semiconductor giant Intel – straight in at number three, with a brand valuation of \$17.8bn (£12bn). This places it behind the magazine's estimated value of the world's biggest brand, Marlboro, worth \$39bn and second-place Coca-Cola, worth \$33.4bn – but in front of long-standing leaders such as Nestlé, Kelloggs and Kodak.

The company is only the second electronics company to make the list of 111 brands, the other being chip competitor Motorola, placed 14th with a value of \$4.1bn. The result reflects several years of hard work by the company to promote its brand. Although given a big boost by being selected as the chip to power the first IBM PCs – and therefore most of those that followed – users generally remained ignorant of the company and its products. That changed when competitors, such as Cyrix and AMD, arrived on the scene. A blitz of law suits demonstrated Intel's determination to keep its lucrative patch to itself. Intel also launched a multimedia advertising campaign, "Intel Inside", to persuade PC buyers and specifiers to stipulate PCs powered by Intel chips.

But other companies advertise just as much – if not more. What has Intel got that brands such as Nestlé, Kelloggs and Kodak have not? The answer emerges from a look at how the figures are calculated. Financial World says it follows an approach similar to that employed by London-based Interbrand, a branding consultancy. First, gross operating profits are determined. Then an amount equivalent to what an unbranded, generic producer of the same product would have achieved is deducted, based on a net return on capital employed of 5 per cent. After a provision for taxes, the balance is assumed to be brand-related profits, to which are applied a "brand strength" multiple. This reflects seven factors, including the brand's leadership, its communication effectiveness and the degree of legal protection it has.

Quite apart from growing scepticism about brand values generally, last year's valuation would have caught several of these on a high. After years of wrangling in the California courts, Intel's patent infringement suits still rumble on – but are fast becoming an argument over yesterday's technology. Competitors will in future design from the ground up, to avoid the very legal protection that has boosted this year's brand valuation. The communication effectiveness factor was also strong this year, thanks to the "Intel Inside" campaign's bolstering of the brand. The strength of the leadership factor may not remain at its present level either: Motorola is working closely with IBM and Apple to launch the PowerPC chip range, hoping to bring about wholesale defections from the Intel camp. This threat was reinforced last week when rumours circulated that IBM was to clone, under "patent beating" clean room conditions, its own version of the "microcode" software that drives chips. This would mean that the PowerPC range would emulate Intel chips so closely that users would not know nor care what type of chip was in their computers.

Publicly, Intel remains sanguine. "Consistency over time is a brand strength too," argues worldwide marketing vice-president Dennis L Carter.

Carter denies the company is seeking to lobby Washington to allow brand valuations to be reflected on balance sheets, as they can in the UK. In launching its low-power range of microprocessors last month, the company had trumpeted its influence with the Clinton administration in getting Energy Star-compliant computers mandated in government procurement policy.

Indeed, what is surprising is Intel's apparent indifference to the opportunities to exploit brand value. Carter claims the new Pentium chip is identified closely enough with the Intel name and says it is "too soon" to decide whether the name of the sixth-generation chip should attempt to capitalise on the the company's brand strength. Likewise, he adds, there are no plans to extend radically the relatively small range of consumer-oriented retail products, such as add-on cards, modems and plug-in "Overdrive" chips, in order to win more business from consumers who are more likely than PC manufacturers to be influenced by brand-strength factors.

PEOPLE

Turner replaces Maxwell at BPB

BPB Industries has said goodbye to John Maxwell, its chief executive. He first joined the company on April 1 1992 as finance director and chief executive designate.

Maxwell finally moved up to the chief executive post on November 25. His precipitate resignation has come after the company's chairman, Alan Turner, began to feel that "his appointment was not proving suitable ... although he was very popular".

Turner is once again taking up the newly vacated chief executive spot, having originally been appointed chief executive in 1978 and having held the same post from 1985 up to Maxwell's elevation.

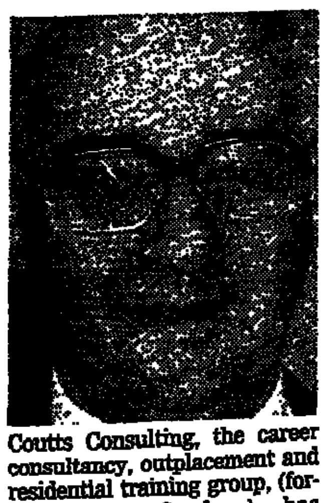
BPB Industries, predominantly known as a manufacturer of plasterboard, is facing tougher times in Europe, particularly in the important French, Italian and Spanish markets.

"Historically a monopoly company, it's now having to embrace a new competitive atmosphere on the continent of Europe," says one analyst, who sees the departure of Maxwell as a reflection of disagreements over how best to tackle the price war now raging on the continent for BPB's types of product.

"There was no personality clash and nothing has happened which is going to affect the next set of results. As finance director, Maxwell did a wonderful job," said a spokesman for BPB.

Does Turner plan on staying on as chief executive for long, or is the company looking for a swift replacement? "It's three years since we went outside for a chief executive and in that time the group's been through one hell of a rationalisation programme in the middle of a recession, in the face of intense competition and a price war. We have come through that and the management we have is pretty battle-hardened ... I hope that we will find someone internally," he says.

Sir Len Peach moves into Coutts Consulting



Coutts Consulting, the career consultancy, outplacement and residential training group, (formerly D.C. Gardner), has appointed Sir Len Peach as a non-executive director.

Sir Len has an extensive background in the field known as human resource management. In his 30 years with IBM between 1972-92 he held a host of posts in the personnel and corporate affairs fields, including running the company's European, African and Middle East personnel affairs from Paris in the mid-1970s.

Latterly he has shifted more towards the public sector. In 1992 he became chairman of the embattled Police Complaints Authority. He had been chief executive of the National Health Service's management board between 1986-89.

His experience helping staff go through rough times will be useful at Coutts itself. Not only is the group in open dispute with Barry Topple, its former chief executive, over the amount of compensation he received for having his contract terminated in 1992; Coutts also made pre-tax losses of £5.24m for the first half of its current financial year.

Other non-execs

■ Roger Cadbury, former md of General Foods and group md of Whitworth Holdings, at EASTERN COUNTIES NEWSPAPERS.

■ Bill Caldwell, formerly a senior partner of Price Waterhouse, as chairman at H. YOUNG HOLDINGS on the retirement of John Wilson.

■ Robin Manners, recently retired personnel director of Bass, at MATTHEW CLARK; Peter Kelley has resigned.

■ John Cowen has resigned from NORMAN HAY.

■ Alan Grieve, chairman of The Jerwood Foundation, at WILSON BOWDEN.

■ Jeremy Plummer, a director of London & Edinburgh Trust UK and of LET EUROPE, as joint deputy chairman of STOCKHOLM & EDINBURGH INVESTMENTS.

■ Bridget de Margary as chairman and David Hall at HARRISON INDUSTRIES following its acquisition by Stratagem Group; Ken Hodgson and The Viscount Slim have resigned.

■ Riccardo Caresani has retired from YORKSHIRE CHEMICALS.

■ Sean Convey, founder shareholder and director of DCS Group which was acquired by Nesco Investments in 1988, at NESCO.

■ Sir David Nickson as deputy chairman at GENERAL ACCIDENT Fire and Life Assurance in place of the late Robert Adam.

■ Ian Smail, md of Guernsey-based Anvil Projects, at DE MORGAN GROUP.

■ Barrie Cottingham, until recently partner in charge of Coopers & Lybrand's Sheffield office, at SHEFFIELD INSULATIONS GROUP.

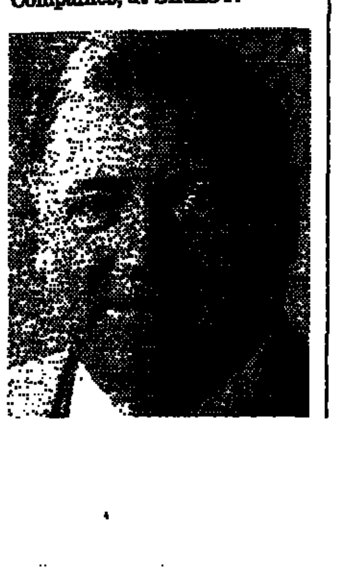
■ Sir Richard Storey at FOREIGN & COLONIAL SMALLER COMPANIES.

■ Richard Lockwood has resigned from BUTTE MINING.

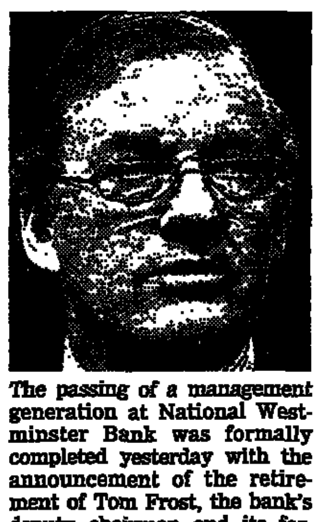
■ Rex Clark, a former senior vice-president at Sterling Drug and now dean of the Business School of Leeds Metropolitan University, and Philip Howard, recently retired chairman of the electric motors division of Hawker Siddeley, part of BTR, at YORKSHIRE CHEMICALS.

■ Neil Hannah, executive chairman of commercial property surveyors Innes England, at PENDRAGON.

■ John Corrin (below), chief executive of Allied Textile Companies, at BIRKBY.



Frost retires from NatWest



The passing of a management generation at National Westminster Bank was formally completed yesterday with the announcement of the retirement of Tom Frost, the bank's deputy chairman and its former chief executive.

Frost retired on reaching the age of 60, the bank's official retirement age. He became deputy chairman last year in order to devote time to clearing his name of misleading a government inquiry into the Blue Arrow affair.

NatWest has no plans to appoint another deputy to Lord Alexander, its full-time chairman, who oversaw the appointment of 45-year-old Derek Wanless to succeed Frost as chief executive last year. That appointment installed a new generation at the bank.

Frost became a director of NatWest in 1984 after becoming the first chief executive of its US retail bank operation. He was appointed group chief executive in 1987 before the bank becoming entangled in the Blue Arrow affair.

■ Mike Ramsay has taken early retirement as life and pensions director of TSB after 15 years at the bank. Ramsay, 48, is one of a swathe of managers affected by the integration of the bank's life insurance and retail banking operations.

■ Porter Chadburn, the packaging, distribution and leisure company, has decided to split the function of chairman and chief executive. Raymond Dinkin will continue as chief executive and Patrick Barrett, deputy chairman since 1990, will become non-executive chairman as from September 14. Barrett is chief operating officer of Smurfit Continental Europe and has formerly been on the boards of UK Corrugated, Continental Can in the UK and TI Group.

Ship-shape cruising

Designing liners has become more complex as demand for bigger vessels increases, writes **Haig Simonian**

It took six men three days to reassemble the 500-year-old fountain which forms the centre-piece of the dining room on the Maasdam, one of the biggest cruise liners under construction.

Its sister ship, the Statendam, already sailing the Caribbean for Holland America Line, boasts a three-storey atrium. The Costa Classica has 350 tonnes of marble among its luxury fittings, on a liner which has 53,700 gross registered tonnes.

Building cruise ships has become big business as interest in cruises has surged. Whereas the job was once largely a matter of converting former ocean liners, purpose-built vessels are now one of the fastest-growing sectors of the world shipbuilding industry.

The building of cruise ships has become more complex as operators have demanded what are, in effect, vast floating hotels. As the size and content have increased so has the cost. A 77,000 grt ship, such as P&O's Sun Princess, currently the biggest cruise vessel under construction, costs around $300m (£200m). Within the next four years, it will be dwarfed by a new 95,000 grt "mega ship", carrying 4,400 passengers and crew, being designed by Italy's state-owned Fincantieri yard.

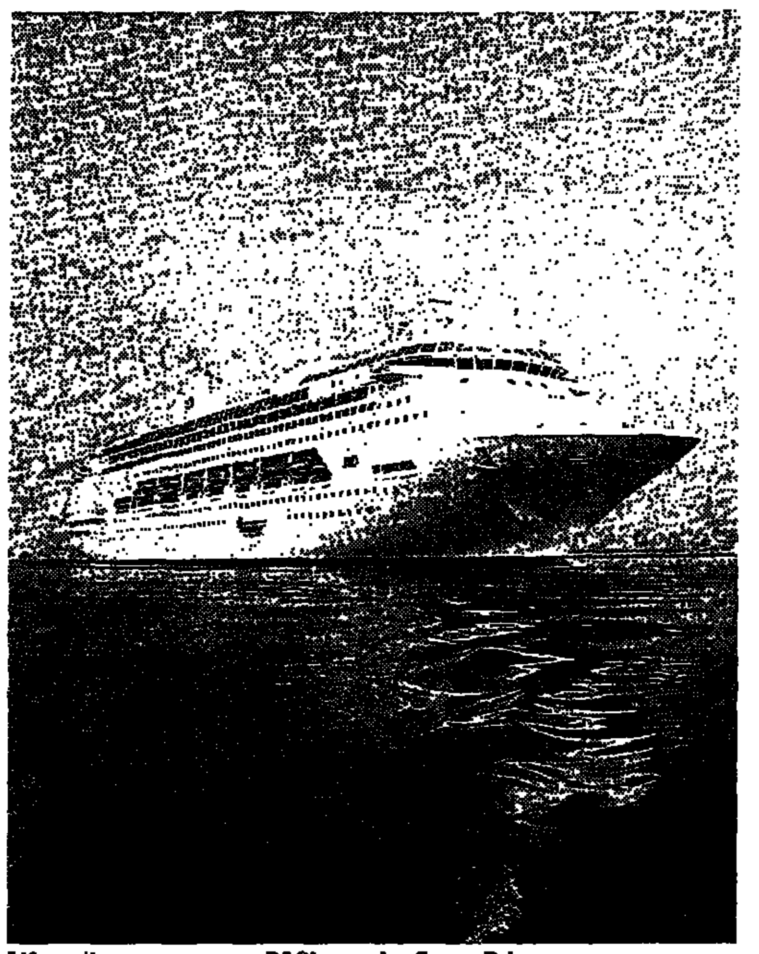
The operators have sought larger vessels to achieve economies of scale and maximise profits. However, the shift poses challenges for the handful of naval architects and yards capable of building them.

"A normal merchant ship has about 100kg of outfitting for every tonne of steel," says Fincantieri's Gianfranco Bertaglia, one of the pioneer naval architects of the new vessels. "Today, we have to reckon with about one tonne of outfitting – glass, marble, leather and electronics – for every tonne of steel."

To keep the high cost of new vessel construction down has meant borrowing heavily from military technology. Rather than the traditional 15mm-thick steel plate used for merchant shipping, they have the 5mm plate found in battleships.

Thin plate processing lowers hull weights, allowing owners to fit less powerful, cheaper, engines and save fuel. However, it is considerably more difficult than conventional shipbuilding. Making a hull in thin steel, however, takes almost twice as long as building a traditional merchant vessel. "It's something between traditional shipbuilding and aircraft industry precision," says Bertaglia.

Electric engines, fed by big diesel generators, have become standard to reduce noise and vibration; stabilisation systems are increasingly sophisticated. Big ships operating from the US west coast to Alaska boast silent propulsion systems, seldom used on vessels other than battle submarines, to avoid scaring away the whales which many passengers want to see.



Life on the ocean waves – P&O's popular Crown Princess

Increased complexity means that only four yards specialise in the big cruise ships of today – Kvaerner-Masa of Finland, Chantiers de l'Atlantique, owned by France's Alsthom engineering group, Meyer Werft of Germany and Italy's Fincantieri.

The number of clients has also shrunk. Carnival Cruises of the US (owner of Holland America), the biggest, has ordered the "mega ship"; Royal Caribbean Cruise Lines, also US-based, operates the Sovereign of the Seas, the biggest of the new generation cruise ships afloat; Scandinavia's Kloster group owns the even bigger Norway. Britain's P&O group and Italy's Costa Crociere complete the handful.

It is the overall design, rather than individual details, of the new boats which marks the biggest break with the past. Much of a naval architect's time is now spent on space utilisation and layout.

"We have to provide the maximum comfort and amusement in a very limited space," says Maurizio Cergol, the Fincantieri architect designing the new "mega ship". "We must offer what only the biggest hotels can give, with the difference that ours have to be packaged into something shaped like a ship and which can float."

That means creating an environment capable of negotiating extreme weather, lists of up to 6 per cent and the noise and vibrations of engines of up to 50,000hp, which is also appealing to passengers.

The yards are facing an ever-moving target. Cut-throat competition among cruise operators means each new ship has to be "more special" than anything before. The exotic names, such as Sensation and Fantasy chosen by Carnival for a new range of ships, indicate the sort of atmosphere operators are trying to market to attract custom.

Each vessel also faces increasingly stringent safety standards. "Just to meet changing fire and smoke prevention rules on a ship of up to 12 decks is a task in itself," says Cergol. Waste disposal is another challenge. A ship carrying 4,000 passengers and crew produces large amounts of waste, which can no longer be dumped at sea.

And after the terrorist attack on the Achille Lauro cruise ship in the Mediterranean, even anti-terrorist precautions have to be included to protect the bridge and engine room from potential hijackers.

The new requirements have led to radical design changes. Moving lifeboats from their traditional position on the top deck, where they were suspended outwards, to an indented location lower down has made the new ships more stable and reduced the distance between the lifeboats and the water line.

The pressure to maximise space means the profile of modern cruise ships is also instantly distinguishable from those of even 15 years ago. The superstructure now starts very soon after the bow and stretches up to the stern. The emphasis on maximising internal space reflects the fact that most amenities, such as shopping centres and casinos, are indoors.

The changes are also geared to the new clientele taking a cruise, increasingly elderly. One liner plying the Caribbean expects to have about 40, elderly, wheelchair-bound people per cruise.

But the biggest design changes are hidden, say the architects. "The challenge is to make sure everything interconnects properly. It's all a matter of flows," explains Cergol.

Take the galley, which to meet stringent US hygiene standards now resembles a cross between a normal kitchen and an operating theatre, with easy-to-clean tiled surfaces and stainless steel appliances everywhere. "The galley has to be carefully positioned. It must be next to the main restaurant. But it also needs easy access to refrigerated food stores, and should be readily accessible when embarking fresh food in port," he explains.

Passengers paying thousands of dollars for a cruise do not want to have such mundane functions intruding on their enjoyment. The same applies to the essential, but often forgotten services such as the laundry or crew lifts.

"It's like a chess game. Say the cruise line wants to feature the restaurant at the stern; that affects a string of other factors such as lifts and stores," says Cergol. "Each ship is potentially very different."

Computer-aided design helps, but the architects have little opportunity to rectify mistakes. Most boats are built one-off; even with a rare contract for three sister ships, production deadlines are so tight that it is usually too late to alter the second on the basis of experience gained with the first.

"We have learned there are now some basic relationships that must be observed," says Bertaglia. "Putting a large pillar-free space, such as a restaurant, in a central location on a lower deck obviously affects calculations for distributing the weight of the thousands of tonnes of superstructure above."

While design and technology have changed so rapidly, Fincantieri's architects think innovation may now be reaching its limits. Although the "mega ship" will have about 1,300 cabins, they think a figure of around 800 cabins is likely to remain the norm. Few operators are big enough to want or afford larger ships. "It's not so much the physical limits as the business risk," explains Corrado Antonini, Fincantieri's managing director. "Cruise lines don't want to put too many of their eggs in one basket." Demand for cruising seems to be satisfied at about the current sizes. And just berthing bigger vessels could cause difficulties at many ports of call.

Bertaglia forecasts cruise ships will likely turn into floating entertainment complexes while cruising will decline. "The future is to develop an artificial life inside one huge bubble. That implies deck space will be reduced even further." For a keen sailor in the Adriatic off Fincantieri's base in Trieste, it is an unappealing prospect. "A ship must be a ship, not an enormous, artificial, atoll, just floating around and hardly moving," he says.

Development in common

Andrew Fisher on countries planning technological expansion

What do composite materials in Malaysia, solar energy in Botswana, telecommunications in Malta and packaging technology in Cyprus have in common? The answer is twofold: these countries are all keen to develop industries based on advanced technologies and they are all in the Commonwealth.

Helping these and other countries try to move their economies deeper into the modern industrial age is the Commonwealth Consultative Group on Technology Management. In February, it launched its Private Sector Partnership aimed at linking industry with the often complicated process of technology transfer.

Much of the impetus for the partnership approach has come from Malaysia which has embarked on an ambitious Vision 2020 programme to transform it into a fully developed country. "We cannot be in the front line of modern technology," said Mahathir Mohamad, the Malaysian prime minister announcing the country's programme two years ago. "But we must always try to catch up at least in those fields where we may have certain advantages."

One area Malaysia is trying to build up is products using composite materials, as in the Eagle XTS light aircraft being developed with Australia. With CCGTM's help, Malaysia is keen to use its knowledge of composites to make aircraft components and other products such as sporting equipment. It intends to set up a zone in the Malacca region for joint ventures in composites.

"Other countries are looking to see what Malaysia is doing," says Michaela Smith, manager of CCGTM. Three Malaysian companies, YTL (construction and power), Sapura (communications equipment) and Globe Silk Store, have joined the Private Sector Partnership. UK members include Cable & Wireless, GEC-Marconi, Rolls-Royce Industrial Power Group, Short Brothers and Shell International.

However, membership is not restricted to the Commonwealth. Non-Commonwealth nations can become involved in individual projects or advisory programmes set up through the partnership; CCGTM has contacted France, Denmark and Germany about possible involvement. The partnership functions by drawing together the skills, contacts and resources of its members and using these to help countries upgrade their technological base.

In Botswana, solar energy, telecommunications and coating of diamonds for industrial use are areas in which partnership members are involved. Cyprus, helped by CCGTM in the area of quality management, is keen to develop in the textile and packaging sectors, possibly with help from Malaysian industry.

As part of its drive to become a telecommunications hub in the Mediterranean region, Malta has called on the help of the CCGTM partnership to involve international interests. Those showing interest include Mercury (the UK operation of Cable & Wireless), Hong Kong and Malaysian telecommunications interests, and Hong Kong shipping and banking concerns.

The Private Sector Partnership has responded to around 100 separate requests for advice. The concept has also sparked interest outside the 50-member Commonwealth. Next week, Smith and colleagues will be in Washington to talk to the Organisation of American States (OAS) about the partnership programme's relevance for South America. She hopes CCGTM and the OAS could eventually work together on technology transfer projects. Jonathan Solomon, executive director for strategy and corporate business development at Cable & Wireless, believes the CCGTM's partnership – soon to be set up as a UK-based company – could become a model for other organisations.

The benefits from the CCGTM's efforts will take time to show through, however. "We want to help countries galvanise their own people," says Omar Abdul Rahman, scientific adviser to the Malaysian prime minister. "We want more Commonwealth companies to be involved."

Proms

Leipzig Gewandhaus Orchestra

When Germany was divided, some of the country's most venerable musical institutions were left on the other side of the iron curtain. As they take their place again on the world stage, it is becoming increasingly clear how conscientiously traditions in musical life there were upheld.

The Leipzig Gewandhaus Orchestra is celebrating its 250th anniversary this year. That means it is older than most of the music which it plays – a remarkable thought. The orchestra's conductors have included Mendelssohn, Wagner, Mahler and Richard Strauss. It never disappeared from sight during its four decades in the Eastern bloc, but reunification has enabled the orchestra to promote itself internationally and win the profile which its reputation would seem to demand.

There have been several visits to Britain recently, not all great successes. Two years ago the orchestra gave a Brahms symphony cycle at the Barbican under Kurt Masur, its Music Director since 1970, and all its wealth of tradition was not enough to make up for drab performances dominated by the strings (the wind and brass players might as well have been left behind at the airport).

This pair of Proms, in the Royal Albert Hall's more open acoustic, presented a different picture. The solo wind playing was one of the main pleasures at Monday's concert. Masur takes a sober view of Schubert's Unfinished Symphony, slicing up the endless thread of Schubertian melody into regular, four-square phrases; but when the solo oboe or clarinet played over hushed strings, the audience held its breath.

The same effect opened Bruckner's Fourth Symphony – solo horn this time, sensitive, unwobbly, a magical opening to a symphony that makes romantic horn calls through a woodland of rustling strings its main motif. Masur had the brass blocked together in the middle at the back. From there they produced a well-contained sound, rather than an all-embracing peroration at the end. But that was the only drawback in a warm-hearted and approachable performance, Bruckner with a touch of the early romantic.

That is the period of music at which the Leipzig players excel. In Tuesday's programme a selection of music from Mendelssohn's *A Midsummer Night's Dream* smiled genially, the strings with a lightness of touch, the wind with a puckish grin, though brass and timpani were again not much in evidence. Masur has the warmth and affection for the music; the players supplied the sparkle of the ensemble.

Earlier, in Brahms's Second Piano Concerto, there had been little sign of a spark at all. The soloist and conductor seemed to bring out the worst in each other. John Lill takes few risks, not so much technically (he has all the notes) as in expression, making this autumnal music fall like dead leaves to the ground; Masur responded by suppressing the orchestral part's impulse and fire. Not a golden autumn this, but damp, dank, grey. The Leipzig tradition may go back two-and-a-half centuries, but it seems to have lost Brahms somewhere along the way.

Richard Fairman

Cinema / Stephen Amidon

The wheelchair as star vehicle

Nobody loves the disabled more than a screenwriter. And it is not because people who write movies are so charitable and big-hearted. Rather, the simple truth is that crippled people are easy on the author. With someone of sound mind or body, it takes a lot of time and effort to uncover their inner demons and desires. However, slap some shades and a stick on a character, plop him in a wheelchair or a mental institution, and you get instant crisis. Four of the five last actors who won the Oscar played disabled men.

So it is worrying that the first scene of *Passion Fish* takes place in an intensive care unit, where a soap opera star, May-Alice (*Mary McDonnell*), has just learned she has been

PASSION FISH (15)
John Sayles

SLIVER (18)
Phillip Noyce

THE VOYAGE (12)
Fernando Solanas

ERASERHEAD (18)
David Lynch

made paraplegic in a car accident. But within a few moments it is clear this is not your basic wheelchair weepie. For the most part, writer/director John Sayles refuses to indulge in the short cuts inherent in the genre, providing us with a drama that allows us to feel good without feeling bad about it.

The story is strong and simple – a bitter May-Alice returns to her ancestral home in Louisiana, attended only by a series of nurses whom she alienates with her self-pitying behaviour. She winds up with Chantelle (Alfre Woodard), a strong-willed young black woman fleeing a troubled past in Chicago. After the obligatory pyrotechnics, the two form a friendship that provides the backbone of the film.

It is an old tale, and Sayles the writer does not have much that is new to add to it. What he does provide is a lively and largely cliché-free script that gives his two leads plenty of elbow room. Woodard is particularly fine, displaying the smouldering dignity for which she is rapidly becoming famous. McDonnell makes the trek from self-pitying "bitch on wheels" to noble heroine smoothly, helped by a strong sense of irony that allows her to make the most of lines like "I was the best voider in my rehab group".

Sayles's direction has never been better. It is only at th e film's end, when May-Alice nobly turns down an offer to exploit her disability by appearing both legless and blind in her old soap, that Sayles succumbs to the sort of murky righteousness

Nasty piece of work: Sharon Stone and William Baldwin in Sliver

to which films about the disabled are so often liable.

If *Passion Fish* is a lesson in how cinema can respectfully make viewers feel good, then *Sliver* has to serve as some sort of standard as to how to disrespectfully make them feel bad. Trying to pass itself off as an erotic thriller, it is instead nothing more than a boring and confused mile of celluloid, a rock video in which there is no song.

The story concerns a book editor (Sharon Stone) who moves to a high rise "sliver" in midtown Manhattan after the break-up of her marriage. She soon learns that her apartment was previously inhabited by a woman who looked like her and committed suicide for no apparent reason. Undaunted, Stone hops in bed with a creepy neighbour (William Baldwin) as well as bantering with creep number two (Tom Berenger). It is only when the woman next door is murdered that Stone twigs that her own life is in peril.

The movie's main liability is its woeful script, written by Joe Eszterhas, who penned *Basic Instincts*, which at least possessed a certain tawdry momentum. No such luck here. Scenes are cobbled together without concern for pace or structuring; the mystery is solved and then unsolved without regard for logic or the viewer's intelligence; the dialogue seems to have been translated from another language. The film's greatest mystery is that Eszterhas is the highest paid screenwriter.

Given the poverty of the script it is hard to assess the actors, though Berenger has never been more unpleasant and Baldwin's attempts to summon the ghost of Tony Perkins are misjudged. Stone comes off worst. She is one of the few actresses around who can shine at the bottom of a flesh pile, though this has always depended on her steely toughness. Here, vulnerable, confused, her nether lip aquiver, she is just another bimbo in a film which tries to make bimbos of us all.

Most teenagers think they are stuck at the end of the world, but Martin Nunque has good reason for thinking he is in Nowheresville: his home town is Tierra del Fuego. His girlfriend is pregnant, his school has run out of heating fuel and his stepfather is a bullying bore. So Martin decides to run away, setting out on his bicycle in search of his long lost father, a journey that takes him up the entire South American continent.

Argentinian writer/director Fernando Solanas has a reputation for political controversy – he was recently wounded by a masked gunman the day after criticising President Menem. With *The Voyages*, his polemics gets the better of him. What starts out as a pleasantly wacky view of teenage angst gradually turns into a rant against the victimisation of Latin America. Solanas's imagery is bold but hardly subtle – Buenos Aires is covered in two feet of sewage, Peru is menaced by vans collecting tax daily. The climax comes when Martin arrives in Mexico, where Latin American leaders are hosting the US President at a reception in which they must all move about on their knees. By then, Martin's quest has long slipped from the viewer's mind, numbed by Solanas's relentless, often clumsy pamphleteering.

David Lynch's *Eraserhead*, has been re-released after 16 years. The only thing that has changed is the soundtrack, which has been cleaned up a bit, though it remains one of the most abrasive in memory. There is no reason to relate the plot; it still does not make any sense. What does make sense is the unsettling mastery of film imagery Lynch mustered at such an early point in his career.

Eraserhead makes fascinating viewing, showing how the director's resolutely art house talent was able to blossom into the big time without (until, perhaps, recently) losing its street cred. For those like me who saw it when it first came out is seems enduring familiarity. Henry's eraser haircut, his baby that just might be human, the tiny man-made roasted chickens, the visionary radiator, the tap dancer with her swollen glands – the imagery is as fresh as last night's dream. It established Lynch as one of those rare film-makers who is able to put our collective nightmares on the screen.

Dance / Clement Crisp

Stars of American Ballet

Stellar is, we believe, as stellar does. The "stars" of American Ballet in Britain on a brief visit, and at Northampton's admirable Derngate Theatre this week, are principals and soloists with American Ballet Theatre and New York City Ballet, though not quite those originally scheduled. (Admirers of Darci Kistler should note that this wonderful dancer is not with the group). There was something resolutely unstellar about the fare at Tuesday's opening, and even more so about the presentation. A round of applause for the only design element – a silhouette of the New York skyline – is a sure sign that we are in starvation corner, where the rule is black drapes and dreary outfits.

The evening was not a happy one. It is, indeed, one of those occasions when you wonder "Can it get worse?", and the reply from the stage is a determined "Yes". The opening *Apollo* – Robert LaFosse, with Susan Jaffe, Melissa Podcassy, Sandra Brown – was respectable enough, I suppose, but LaFosse is altogether too winning in manner for my taste (the young god as head waiter) and the Muses breezed through their solos without looking very closely at them. This *Apollo*, and the succeeding *Some Assembly Required*, a serious, if neurotic, duet by Clark Tippet which ABT showed us a couple of years ago, were the only valid matters of the evening. What followed defied belief, defied the idea of ballet as a serious art, and, I suppose, defied us to start throwing ripe fruit.

In *Come Unto Me* Bruce Padgett, got up like Michael Jackson as Captain Hook, bayed some rock music (of his own confection) while three chaps and a girl trudged through his dances amid dry ice and relentless noise. The men were, I think, trying to develop their pectorals. The girl, with the erotic frenzy characteristic of Olive Oyl, offered herself to the lads. Nonsense reigned. Johann Renvall's version of the *Romeo and Juliet* balcony pas de deux was cliché-time in Old Verona: everything you have ever seen about two lovers in this situation, and hoped never to sit through again. LaFosse's *Spring Break* was soaked in dew, as three girls and four men were ecstatic, too youthful, and gorge-risingly cute. The score, by Martin Stock, could have been composed by Mendelssohn's aunt. So could the choreography. The costumes made the dancers look bulgy. The dances made them look foolish. The last moments of this *dègringolade* were concerned with LaFosse's *A Salute to Fred Astaire and Ginger Rogers* in which five couples dashed inelegantly about while gems from Jerome Kern, Irving Berlin et al, were nailed to the floor in four-square and mushy piano arrangements. The title, is, of course, wrong. It is a salute to Fred Rogers and Ginger Astaire – looking at it, you knew why you'd never heard of them before. And never wanted to again.

Stars of American Ballet are at The Derngate Theatre, Northampton, until 4 September.

Edinburgh Festival

Queen's Hall Recital

The morning recitals at the Queen's Hall are the bread and butter of Edinburgh's concert programme. On those occasions when (as Richard Fairman complained in these columns last weekend) the outlines of festival planning have been blurred by less-than-festival-standard executants, bread and butter can seem plain fare. But when a recitalist of the quality of the American soprano Dawn Upshaw enchants an Edinburgh morning audience with her smilingly candid platform demeanour and frank, forceful artistic personality, bread and butter becomes ambrosia.

In the style of her first entrance Miss Upshaw states her whole approach: no swank, no varnish, no prima-donna airs and graces. She essays a line in "hello and welcome" chat – and, later, encore introduction – which could become sticky were it not so warmly welcoming in intention.

But in any case, the conjunction of singer, song and voice changes the mood, and brings the exhilaration: this is an artist ready to explore darker as well as lighter modes of audience address, capable of deep seriousness no less than winning brightness. Her voice, a clean, clear, well-schooled instrument apparently without sharply individual characteristics, becomes just such a vehicle for "personal" expressiveness through the forward, risk-taking manner of her delivery.

She seizes words and lives them, lives *in* them. Copland's 12 Emily Dickinson songs served for a marvellous display of native idioms, tones of voice, all caught with the shining sincerity that brings this plain-spoken music alive. A group of Schumann, Wolf and Schubert Lieder achieved a similar bold simplicity of shape and focus – Gretchen at her spinning wheel, with the excellent pianist Margo Garrett in pinpoint support, rarely seems so youthfully tragic. A long stretch of early Debussy songs afforded perhaps more intermittent delights: Miss Upshaw's French is more a lesson learnt, less a language freely spoken, than her German.

On the whole, though, this was two hours of cloudless happiness. The day before, in a Schubert-Janáček chamber concert that ideally embodied this year's central thematic pairing, the Gaudier Ensemble had offered something similar. Janácek's late wind sextet *Youth* and Concertino, nuggety, hard-edged, joyful, were set in a new and thought-provoking perspective by the Schubert Octet. The Gaudier, a crack collection of virtuosos from various orchestras (including the Chamber Orchestra of Europe), avoids laying on the charm – which is mostly a great virtue but sometimes, in Schubert particularly, a slight fault.

In the Usher Hall the two Edinburgh concerts of the South West German Radio Symphony Orchestra under Michael Gielen, its venerable chief conductor, have proved more of a mixed bag. The orchestra, a sound, solid, no-nonsense ensemble of exactly the type suggested by their name, was not well suited to the first programme – music by Rakhmaninov, Schnittke and Suk requiring much stronger infusions of colour and drama.

But the second, Schoenberg's Piano Concerto (with Alfred Brendel in sovereign command) and the Mahler Seventh Symphony, found Gielen, a tough-minded, intellectually searching musician, on much surer ground. Mahler and Schoenberg: a future Edinburgh thematic coupling, anyone?

SWGRSO concerts sponsored by Royal Bank of Scotland and Dunard Fund

Max Loppert

The mysterious Lenz

When Jakob Lenz died in mysterious circumstances in Moscow in 1792, an obituarist noted that he would be "mourned by few and missed by none". Most of his old acquaintances had assumed he was long since dead.

It was a sad end for a man who had once been a youthful protege of Goethe. He was born in 1751 and produced his best-known works, including a homage to Shakespearean drama, in his early twenties.

"Best-known" is a relative term, not until this year's Edinburgh Festival has a collection of his plays been published in English, though some readers will know Lenz indirectly because *The Soldiers* led to Büchner's *Woyzeck*.

If – and the Festival still has to prove it – Lenz has a lasting claim to fame as a dramatist, it is on the grounds that he was Brechtian before Brecht and politically Marxist before Marx. He writes about the exploitation of ordinary people and their readiness to be exploited. Social class and male domination play a heavy role in *The Soldiers* which opened at the Royal Lyceum Theatre on Tuesday.

This was the era of mercenaries and endless small wars. The officers picked up women wherever they could and, as often as not the women would fall for them. There is no reason to think that Lenz gives an inaccurate account of his times. The striking fact is the extent of his social criticism. Lenz appears to condemn the tradesman father of the girl who is seduced as much as the officer who does the deed. Gerard Murphy who plays the tradesman bears more than a passing resemblance to the Reverend Ian Paisley.

On the credit side, Lenz shows his debt to Shakespeare by ignoring the dramatic unities. *The Soldiers* lasts for only 90 minutes, yet it has 34 scenes, a few of them only a line or two long. Nothing is wasted, indeed a great deal is gained, by passing quickly and naturally from one scene to another. Parts remind one of the rapid scene changes in *The Tempest* and *Macbeth*.

More dubious is a passion for melodrama. Had he survived to 105 Lenz could have had a career on the Victorian boards. We shall pass over the little girl lost and poisoning scenes.

Like David Mamet's *Oleanna*, *The Soldiers* has alternative endings. The original version has the commanding officer saying that so many troubles could be avoided if the king would provide the army with concubines who would follow the wars wherever they went. The rather grand Countess de la Roche agrees: "Oh, if only someone could be found to promote the idea at court! It would benefit the whole nation."

Subsequently Lenz changed the ending on the grounds that it was unlikely that of the countess's rank would go along with such heresy. This production is by the Glasgow Citizens Company directed by Philip Prowse. I made a bet with myself which ending they would choose and was glad to be wrong. Prowse goes for the later, gentler version and Jane Bertish as the Countess does it well.

Prowse also designed the sets, which look splendid at the beginning and end, but the play as a whole is made for a smaller stage and a smaller theatre.

Malcolm Rutherford

INTERNATIONAL ARTS GUIDE

BARCELONA

The new season at the Liceu begins on Sun with the first of four guest performances by the ballet ensemble of Geneva's Grand Théâtre, with a programme devoted to Ohad Naharin's Perpetuum. The Monte Carlo Ballet gives a Ballets Russes programme from Sep 14 to 18, and the first opera production is Der fliegende Holländer, opening on Oct 2 (412 3532)

FLORENCE

The autumn season at the Teatro Communale begins next Tues with the first of three concert performances of Der fliegende Holländer conducted by Myung-Whun Chung, with a cast led by Bernd Weikl, Deborah Voigt and Ben Heppner. Later this month the Orchestra of the Teatro Communale gives concerts under Andrew Davis and Yuri Ahronovich (211158)

LONDON

THEATRE

● Moonlight: world premiere of a new Harold Pinter play, his first full-length work since Betrayal in 1978. David Leveaux directs a cast led by Ian Holm, Anna Massey, Edward de Souza and Douglas Hodge. Starts previewing tonight, Press night next Tues (Almeida 071-359 4404)

● In the Summer House: British premiere of Jane Bowles' drama about the bonds that exist between women. Derek Goldby directs a cast led by Rosemary Harris. Starts previewing tonight, Press night next Mon (Lyric Hammersmith 081-741 2311)

● Hysteria: Terry Johnson's new play about Freud, set in London in 1939. Phyllida Lloyd directs. Opened last night (Royal Court 071-730 1745)

● Time of My Life: Alan Ayckbourn's new bitter-sweet drama of middle-class family life in a northern city, with a cast led by Anton Rogers and Gwen taylor (Vaudeville 071-836 9987)

● Hair: Michael Bogdanov's revival of the quintessential 1960s musical, with a new generation of young performers. Now in previews, Press night Sep 14 (Old Vic 071-928 7616)

● An Inspector Calls: West End transfer of acclaimed National Theatre production of J.B. Priestley's psychological thriller (Aldwych 071-836 6404)

BBC PROMS

Tonight's early evening concert by BBC Welsh Symphony Orchestra, conducted by Grant Llewellyn, includes music by William Mathias, Beethoven, Mendelssohn and Schumann. This is followed at 22.00 by a programme of Ligeti, Francesconi, Varese and Ferneyhough, played by Asko Ensemble under Jonathan Nott. *Tomorrow: Adam Fischer conducts* Austro-Hungarian Haydn Orchestra in Viennese classics. Sat: Günter Wand conducts BBCSO in symphonies by Schumann and Brahms. Sun noon: Henze's Requiem. Sun evening: Frans Brüggen conducts Orchestra of the Age of Enlightenment in Beethoven's Ninth Symphony, with soloists Judith Howarth, Susan Bickley, Hans Peter Blochwitz and Andreas Schmidt. Next Mon: Simon Rattle conducts CBSO in Schoenberg, Mozart and Stravinsky, with piano soloist Maurizio Pollini. Tues: Rattle conducts Debussy, Sibelius, Goldschmidt and Nielsen, with violin soloist Ida Haendel. Wed: Mark Elder conducts BBCSO in Shostakovich, Beethoven and Janacek, with piano soloist Olli Mustonen. Sep 11: Last Night of the Proms (Royal Albert Hall 071-823 9998)

OPERA

Coliseum The new ENO season, the first organised by Dennis Marks and Sian Edwards, has Simon Boccanegra and Street Scene in repertory over the next two weeks. The first new production is La boheme, opening on Sep 15 (071-836 3161)

Barbican Travelling Opera presents its lively English-language productions of Carmen, Il barbiere di Siviglia and La boheme daily except Mon from tomorrow till Sep 11 (071-638 8891)

Queen Elizabeth Hall Opera Factory presents The Bacchae, a new play with music by Xenakis, conducted by Nicholas Kok and directed by David Freeman. Daily except Wed till Sep 12 (071-928 8800)

Covent Garden The Royal Opera's new season opens on Sep 11 with Madama Butterfly starring Diana Soviero and Neil Shicoff, followed on Sep 18 by L'Italiana in Algeri with Marilyn Horne and Ruggero Raimondi. Both are conducted by Carlo Rizzi (071-240 1066)

PRAGUE

FESTIVAL OF MUSIC

In addition to the Prague Spring Festival, the Czech capital has a younger, more intimate autumn festival, built around the distinguished violinist Josef Suk. This year's festival (Sep 20-Oct 5) features a strong dose of Beethoven, Bach and Mozart, alongside familiar and less familiar Czech composers. In addition to the Suk Chamber Orchestra, artists at the festival include Yo Yo Ma, Maurice André, Cecile Licad, Rudolf Buchbinder, Viktoria Mullova, Shlomo Mintz, Renato Bruson and Sandor Vegh. Among the more exotic programmes is a choral concert on Sep 25 pairing Schubert's Mass in G with a Stabat Mater by late 18th century Bohemian composer Johann Baptist Vanhal. Bookings from Festival of Music Prague, Cs armady 12, 160 00 Prague (fax 02-526583) or Bohemia Ticket International, Salvatorska 6, 110 00 Prague (fax 02-231 2271).

OTHER EVENTS

The National Theatre reopens on Mon with Smetana's The Secret, followed by La forza del destino next Thurs and The Bartered Bride next Fri (02-205364). There are staged performances of Mozart operas at the Estates Theatre on Sep 7, 13, 15, 22 and 29 (02-228658). Prague State Opera's repertory includes Jenufa, Madama Butterfly, Les Contes d'Hoffamnn, Tannhäuser, Entführung and La traviata (02-265353). The Czech Philharmonic Orchestra opens its winter season at the Dvorak Hall on Sep 16 and 17 with a programme of Husa, Lutoslawski and Martinu conducted by Vaclav Neumann (02-286 0111). The Prague Symphony Orchestra's season at the Smetana Hall begins on Sep 21 and 22 with a Beethoven and Mahler programme conducted by Martin Turnovsky (02-232 2501)

STRESA

Situated on the shore of Lake Maggiore in northern Italy, Stresa's annual music festival offers some high-quality artists but no programme theme. The highlight this year is tonight's concert by the Orchestra of La Scala, Milan, under Riccardo Muti. Other events to note are recitals by the Tokyo String Quartet (Sep 7) and Lazar Berman (Sep 11), and the closing concert on Sep 16, in which Viktoria Mullova will play Mozart's First Violin Concerto, accompanied by the Orchestre National de Lyon conducted by Emmanuel Krivine (0323-31095)

TURIN

Settembre Musica, which opened last night and runs till Sep 19, features two concerts per day, one in the afternoon and one in the evening, plus a total of 18 free events in baroque churches and open-air piazzas. Visiting ensembles include the Bavarian Radio Symphony Orchestra under Lorin Maazel (Sat), the Czech Philharmonic with Gerd Albrecht (Sun), English Chamber Orchestra with Pinchas Zukerman (Mon) and Kronos Quartet (Sep 18). The festival also has a series of events devoted to the music of Alfred Schnittke (Sep 7-11), plus two concerts by Ensemble InterContemporain conducted by David Robertson and Pierre Boulez (011-576 5564)

WARSAW

In spite of the presence of ensembles from Lithuania, Germany and the Netherlands, this year's Warsaw Autumn contemporary music festival (Sep 17-25) has a less international look than in the past two years, apparently because of economic problems. Nevertheless, the festival continues to provide an international platform for Poland's lively contemporary music scene. There will be birthday tributes to Penderecki (60th) and Lutoslawski (80th), plus a new work by Gorecki and the first Polish performance of Messiaen's Eclairs sur l'Au-Delà (Warsaw Autumn, Rynek Starego Miasta 27, 00272 Warsaw, tel 022-311634/fax 022-310607. From Sep 15 to 26, the festival office will be at Hotel Europejski, Krakowskie Przedmiescie 13, tel 022-265051 fax 022-261111)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports *2030; 0130*
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times *Reports 1330; 2030*

Absolutely certain of its own correctness

BOOK REVIEW

THE PURSUIT OF REASON: THE ECONOMIST 1843-1993
By Ruth Dudley Edwards
Hamish Hamilton £30. 1,020 pages

One hundred and fifty years ago today James Wilson produced the first edition of The Economist. Wilson was a quintessential early Victorian: an indomitable, self-made, self-educated Scot with an energy, didacticism and dedication to business that verged on monomania (His dying words were: "Take care of my income tax."). He was a passionate advocate of laissez-faire and founded his paper with the express purpose of preaching the gospel of free trade and, in particular, the need to abolish the Corn Laws.

Ruth Dudley Edwards, in an absorbing and exceptionally well-written official anniversary history of the paper, suggests many of Wilson's characteristics were taken on by The Economist and have made it "respected, successful, but often disliked". She says of Wilson: "He was clever, well-informed and he radiated absolute belief in the correctness of his views."

Other qualities he bequeathed to his paper included a strong belief in civil liberties; the courage to stand by well-argued but unpopular opinions; but also a propensity occasionally to follow deductive logic from abstract first principles to the bitter end, regardless of the complex social realities on which the deductions have to bear.

Edwards has juxtaposed throughout her book early and later treatments of similar themes. There has been an admirably consistent opposition to capital punishment. Indeed there has been a willingness to take up unpopular positions – on the Irish famine, against the suffragettes, against the Boer war and the first world war until 1916, and against the Suez intervention. She notes that two weeks after founding the paper, Wilson, who opposed slavery, argued against restricting imports from countries which employed slave labour, on similar grounds to those deployed by the paper in the mid-1980s when it opposed sanctions against South Africa. On the other hand, Wilson argued passionately against the Factory Acts – with impeccable logic and fundamental foolishness.

A subsequent and more famous editor, Wilson's son-in-law, Walter Bagehot, argued it would be better – for the slaves and for everybody else – if the south won the American civil war.

Echoes of this tendency can still be found in the modern Economist: in much of the writing of Norman Macrae, including an article in 1966 against equal pay. It resonates in the uncompromising stance taken under the editorship of Rupert Pennant-Rea ("a Robespierre among economists") towards the maintenance of sterling's ERM exchange rate right up to the debacle.

During the 19th century The Economist was a small circulation paper (about 3,000 a week) written by businessmen for businessmen. Bagehot, its most famous editor, expanded its influence, teaching the Bank of England how to be a central bank, advising both Liberal and Conservative chancellors and explaining the constitution to the middle-classes.

The paper began to change in the 20th century under editors such as Francis Hirst (1907-16) and Walter Layton (1922-38), who were more interested in politics and ideas than business. From Geoffrey Crowther (1938-56), those recruited to write for the paper were increasingly taken on for their brains and writing ability, and tended to have no experience other than journalistic.

Throughout, The Economist has enjoyed outstanding editorial independence. From Wilson's death in 1860 to 1928, the paper was owned by his widow and six daughters, who were usually supportive of its editors. Then in 1928, Walter Layton turned the paper into a limited company and secured perhaps the most water-tight guarantee of editorial independence in journalism. The magazine is now 50 per cent owned by the FT. Apart from Geoffrey Crowther, who as editor once or twice gave in to pressure from trustees and later, as managing director, tried (unsuccessfully) to pressurise his editors, everyone appears to have behaved well.

This is Layton's main claim to gratitude from writers and readers. He was an otherwise unsatisfactory editor: an insider concerned not to rock the boat. This meant much failure of nerve. He was renowned for adding late on Thursday nights at the end of copy he found too strong: "Time alone will show". Since Layton there has been none of that.

Geoffrey Crowther, who gets alpha for brains and gamma for character from Edwards, expanded the employment of women, though for the somewhat politically incorrect reason that "I can get a first-class woman for the price of a second-class man". Since the war there have been lots of clever, strong-minded women in senior positions but, despite big changes in circulation (now more than 500,000, 80 per cent of it abroad), few women readers. It is to the credit of The Economist and Edwards that she shows few inhibitions when it comes to the successes, failures, and internecine warfare of people still active on the magazine. The fight over policy towards the Vietnam war, the struggles between editorial and non-editorial departments and the debacle of the Latin American edition are well chronicled.

The treatment of the paper's developing views on big issues for the postwar period, however, is skimpy: only 12 pages on post-war inflation and the paper's views; only scraps on industrial development and policies; and no systematic treatment of the paper's views of Britain and the Common Market – of how, like the rest of us, it has struggled to develop a satisfactory political attitude to the EC, while inveighing against the detestable common agricultural policy.

Sir Kit McMahon

The reviewer is former chairman of Midland Bank and former deputy governor of the Bank of England

Obituary – Fredy Fisher

FT editor with a European vision

Max Henry Fisher, known invariably as "Fredy", who died on Sunday at the age of 71, was editor of this newspaper for eight years from 1973 to 1980. He spent a total of 23 years working on the staff – years which coincided with the great growth period of the Financial Times.

Fredy was a member of that select band of UK citizens forced by the Nazis to flee pre-war Germany. He wanted to succeed in his adopted country and he wanted to be accepted by it. He achieved both those objectives, to the considerable benefit of this newspaper. He brought to journalism a well-trained and finely tuned mind. But it is for his restless energy and combative personality that Fredy is most remembered by colleagues who worked with him at Bracken House, the FT's former offices by St Paul's cathedral. He loved talking and arguing, sometimes (one suspected) for its own sake.

This combination of qualities served him well as a journalist. As foreign editor and subsequently as editor, he guided the second important stage of the Financial Times's development. His predecessor, Sir Gordon Newton, had taken over what was essentially a stock market news sheet and turned it in 15 years into the UK's leading journal of business information. Under Fisher, the FT was launched on its development as a European journal of information and opinion. That was an advance bearing very much his own personal stamp, for he was by background and deep conviction a European, and by ability and training an intellectual.

He was born in 1922 in Berlin, where he lived for the first 13 years of his life, of a German father and a Russian mother and, until he was 3½, his first language was Russian. His father subsequently remarried a French-Swiss, and Fredy grew up bilingual in French and German.

After Hitler's accession to power, his family embarked on the disrupted life of all German Jews of the period. His father moved first to Switzerland, then to Italy and, at the outbreak of war, back to Switzerland. Fredy, who had been sent to school at Rencomb College in Gloucestershire, was cut off by the outbreak of war and did not see his family again until 1945.

Though still in his teens, Fredy was interned at the outbreak of war under the deplorable Regulation 18B as an enemy alien and subsequently sent to a camp in Australia – an experience which, he liked to recall, at least gave him time to learn to play a good game of bridge. In 1942 official policy changed, and Fredy and others in his position were released. He returned, volunteered for the army, and thus began his life as an acknowledged Englishman.

His army career started with the Pioneer Corps, took him to Normandy as a trooper in the 8th Kings Irish Hussars, and ended with him as interpreter-Sergeant with the Investigations branch of the Military Police. He then returned to civilian life and started his first chosen career as an academic. He won first-class honours in modern history in a short degree course at Lincoln College, Oxford, and after a few months of postgraduate work he was appointed by the Foreign Office as one of the team of three editors of documents on German foreign policy from Versailles to 1945, a task which was to last seven years.

In May 1956 he went to Melbourne University as a visiting lecturer in diplomatic history. But he became disillusioned with the academic life and, in March 1957, at the relatively mature age of 34, he joined Gordon Newton's team of first-class brains at the Financial Times.

It was Newton's policy to staff his rapidly growing paper with writers of high academic attainment, regardless of background, and give them their heads. Fisher joined a team which was, to say the least, lively. It included Nigel Lawson, Shirley Williams and Jock Bruce-Gardyne – who all became UK government ministers in later years; William Rees-Mogg, Robert Heller, Michael Shanks and Samuel Brittan.

The birth of what subsequently became known as Fredy's foreign empire was in characteristic style. Newton simply remarked one day: "You speak foreign languages – you'd better join the foreign side" (which at that time filled one half page, with a staff of two at Bracken House and three foreign correspondents).

Trevor Humphries
Max Henry 'Fredy' Fisher: founder of the FT's 'foreign empire'

He worked with characteristic intensity as a reporter, securing an important scoop when he gave the first news of Britain's initiative in launching the European Free Trade area, and covering the subsequent negotiations and those concerned with Britain's first attempt to join the European Community as far as he could single-handed, commuting to Brussels.

He subsequently became foreign editor, launching the expansion of FT foreign coverage; assistant editor on the home side – a period which saw a significant expansion of industrial coverage and the launch of the Management Page, and, in 1971, deputy editor.

When he became editor in 1973, he was driven both by inclination and temperament to change the style in which the newspaper was run. The carefree recruiting of untrained graduates had fallen foul of the industry's unions, and more of the intellectual direction had to come from the top; he also wished to develop the consistency and trust to make the paper an influential journal of opinion.

The editorials became more incisive, and were more widely noticed – not always favourably. For example, a sustained attack on official monetary tactics in 1976 led, for the first time in the paper's history, to a distinct chilliness between the FT at Bracken House and the Bank of England at Threadneedle Street. However, the paper continued largely to avoid party-political attitudes, as it still does.

There was an internal price to pay for this change of style. Some members of the staff found the new approach difficult to accept.

Such problems caused Fredy episodes of distress in a term of office which he otherwise hugely enjoyed; he was temperamentally ill-fitted to handle them. His turbulent childhood had left him, in some senses, acutely lacking in self-confidence, despite his sometimes authoritarian exterior. He would turn to one or two intimates repeatedly for advice. With others, he sometimes seemed a bad listener, though staff members in any real trouble would find a warm, tireless sympathiser and supporter.

In 1980 he felt, after the launch of the Frankfurt edition, that he had completed his planned contribution to the development of the Financial Times, and decided at the age of 58 to launch on a third career as a director of S G Warburg, the merchant bank – which proved in some ways the happiest epoch of his working life.

He was able to deploy his talent for analysis and negotiation, and his streak of real charm, in the cause of clients, a role which suited him so well that he cheerfully worked far too hard. With typical sensitivity, he refrained from any interference or even comment on the policies of his successors at the FT, but he continued as a warm friend to many who would have valued his advice.

One constant theme illuminated the last 30 years of this often stressful life – his total devotion, once memorably confessed on the air, to his Australian wife, Rosemary, and his family of two sons and a daughter. He had a lifelong passion for music and the arts. From the point of view of his friends, this left all too little time for the good bridge and chess, and confessedly bad golf, which he so enjoyed.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Nothing parasitic about satellite TV

From Mr David Elstein.

Sir, It was pleasantly surprising to find Christopher Dunkley – in a newspaper which studiously ignores satellite TV listings – devoting his entire column last week to the Sky multi-channel launch (August 25). I wish, though, his tone had been less dismissive of a service which satellite viewers consistently find more attractive than ITV or the BBC.

Is satellite television essentially "parasitical" as Mr Dunkley asserts? Before satellite, was there a dedicated children's channel, or a movie channel, or a sports channel, or 24-hour news? Is the 11,000 hours of original programming supplied by Sky each year of no consequence? And even with re-run channels (UK Gold, Bravo, Discovery, etc), if there is strong audience demand for such material, why deride it? Last weekend, these three channels out-performed Channel 4 in satellite homes. Arts programming is perhaps the prime example of the potential benefit of satellite re-run: huge volumes of eminently repeatable programmes currently gather dust on the shelves of terrestrial channels. Only the viewer suffers from the artificial restrictions of terrestrial spectrum scarcity.

As for paying Sky for what viewers previously watched without charge, that only applies to the minority of satellite homes that, until now, took none of the premium channels; and, even for these homes, there are seven brand new channels to add to their available choice. For the 70 per cent of satellite homes which already take movies and sport, all the new channels are a free bonus. By creating a basic pay tier for the first time, Sky allows into the market-place an array of niche channels competitive with its own services which could not survive solely on advertising income.

This deliberate stimulation of new satellite channels is not entirely selfless: Sky's premium channels stand to benefit from the increasing attractiveness of the satellite proposition, given that a high percentage of new installers can be expected to subscribe to movies and sport. Already, the surge in dish sales since the multi-channel package was announced is evidence that consumers find the package inviting and the cost affordable.

It is clear that the audience values choice, and chooses value. If, as Mr Dunkley concludes, it is "the programmes we watch", perhaps he should now reflect on why those with satellite seem willing to spend so much of their time watching the "parasite" channels rather than the terrestrials.

David Elstein,
head of programming,
British Sky Broadcasting,
6 Centaurs Business Park,
Grant Way,
Isleworth, Middlesex TW7 5QD

Lift taxing burden from companies

From Mr Derek A Coggrave.

Sir, I was interested to read the letter from Mr Malcolm Bacchus, "Companies still weighed down by burden of tax regulations" (August 24). Mr Bacchus pointed out that the Manchester Business School has estimated that an average business spent 20 per cent of its pre-tax profits dealing with company and tax regulations.

The question is, will the Treasury react in a positive way to the crusade against red tape which the Department of Trade and Industry, under the guidance of Mr Michael Heseltine, is conducting? From details of the recent Finance Act mentioned by Mr Bacchus this seems a remote possibility.

The problem is that the Treasury does not pay for the consequences of its actions; business does. The way to overcome this problem is to give businesses tax rebates on the cost of collecting taxes, based on the results of surveys such as those mentioned above.

It is unlikely that the response of the Treasury will be positive until it has to pay for the consequences of its own excesses in the production of red tape.

Derek A Coggrave,
23 Wentworth Park,
Finchley,
London N3 1YE

Put choice back into study of sciences

From Dr J D Plackett.

Sir, I would like to comment from a teacher's point of view on the current debate over the fall in the number of students opting for science at A-level ("Discipline in need of a better chemistry", August 28).

During most of the 1980s, secondary teachers had the freedom to choose whether to offer students separate sciences, ie biology, chemistry and physics, or combined/balanced science courses, which contained aspects of all three. Pressure groups within the teaching profession pushed for the adoption of the balanced science courses in place of separate subjects. The introduction of the national curriculum allowed the imposition of these courses in many schools against the wishes of the science teachers who previously taught separate sciences. This was one of the reasons why I left teaching in secondary schools after 15 years.

If society is concerned about the number and quality of science students, it might do worse than consider the teachers and what they teach. While many are committed to balanced science courses, others – who studied a particular science because they enjoyed it – would like to continue to teach the individual subject. For some, having to teach, say, physics or biology when they are chemistry enthusiasts is as disheartening as expecting a history graduate to teach French or geography.

If science teachers were again allowed the freedom to choose the approach they prefer, their enthusiasm for the subject would probably increase, and this would hopefully encourage more students to choose scientific courses.

J D Plackett,
71 Walton Lane,
Nelson, Lancs BB9 8BG

From Mr Anthony Clayton.

Sir, The Institute of Directors calls "for a national campaign to encourage more students to take up science studies" ("IoD in science campaign call", August 21).

Perhaps the institute would tell us what proportion of its members are scientists.

Anthony Clayton,
26 Pentire Crescent,
Newquay, Cornwall TR7 1PU

In the know?

From Mr Stephen L Phillips.

Sir, You mention ("BAe close to clinching £250m Taiwanese deal", August 26) the cautious approach of Taiwanese banks to aircraft leasing due to "their unfamiliarity with western leasing techniques". In the same issue you reported on the GE rescue agreement for GPA's aircraft-leasing company. Could it be that Taiwanese caution is in fact due to their "familiarity" with western leasing techniques?

Stephen L Phillips,
chairman, Hygicare,
Wrexham, Clwyd LL13 8UG

Channel rail link contract

From the Earl of Caithness.

Sir, I am writing to set the record straight over the article "German bid invited for Channel rail link contract" (August 11).

The Department of Transport has not invited Hochtief, or indeed anyone else, to form a consortium or to bid for such a contract. We sent a copy of our consultation paper to Hochtief and a great many other organisations, mainly in the UK but also a few abroad, in view of the scale of the project; but that is all.

Ministers are now considering the results of the consultation exercise. Initial independent advice came from Samuel Montagu, and Hill Samuel will provide further advice before any decisions are taken.

We shall announce in due course our consultations; only after that will there be any question of inviting bids for the project.

Caithness,
minister for aviation and shipping,
Department of Transport,
2 Marsham Street,
London SW1P 3EB

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday September 2 1993

A message in the Sky

MR RUPERT MURDOCH was in cocky form yesterday, launching Sky TV's latest assault on the UK market, and not without reason. Sky's 14-channel satellite pay-TV service may represent a turning point in British broadcasting.

Within four years, Mr Murdoch has moved from no stake in British television, to running a company delivering 10 more channels than his earth-bound competitors put together. According to a report by consultants Booze Allen and Hamilton for the terrestrial ITV companies, commissioned as part of ITV's submission to the government's green paper on the BBC, BSkyB (Sky's parent company) may well have revenues greater than the entire ITV system by 1996. By 2000, it is forecast to be solidly ahead.

Having approached financial disaster three years ago, Mr Murdoch can again lay claim to visionary status. His conviction is that five industries – telecommunications, computers, entertainment, publishing and consumer electronics – are converging and that News Corp can establish itself as one of a handful of master salesmen along this global highway.

This may all seem a great distance from the issues preoccupying British broadcasting policymakers, but it is surely worth them reflecting upon Mr Murdoch's meteoric ascent.

Perhaps their first thought should be that this has occurred in spite of, not because of, government policy. It was policy to license a single, private-sector monopoly, British Satellite Broadcasting. Mr Murdoch, technologically opportunistic, challenged that monopoly from a base outside the UK regulatory framework, fought BSB to a bloody standstill and merged the two companies.

BSkyB's regulatory status remains hazy, with the company exempt from many of the constraints which affect terrestrial competitors. These include programme schedules (see this week's renewed argument over the future of ITV's News at Ten) and rules on national origin of programmes, which allow Sky more freedom to use cheap American material.

To this, there are two possible policy responses: to deregulate all commercial broadcasters or to bring BSkyB within the terrestrial regulatory regime. Naturally, the terrestrial broadcasters prefer the latter, for them safer, option.

As they consider this, policymakers should, however, note another point about Sky's new service, namely the extent to which it is an alliance of many broadcasting companies, including even the BBC, which is a major shareholder in one of the new Sky channels, much to ITV's annoyance. At the same time, few have noticed that Mr Murdoch's recent purchase of Star TV in Hong Kong makes him the Asian distributor of BBC World Service TV.

In broadcasting, the corporate and geographical boundaries are well and truly down. It must be asked whether a regulatory model based upon assumptions of limited air space and state regulation of programmes might not have had its day.

Reforming Japan

THE DEREGULATION package proposed yesterday by the new government in Tokyo is the clearest sign yet that the reformist ambitions of Mr Morihiro Hosokawa, prime minister, stretch beyond the political system into the character of Japan's economy. Even though Japan has fiercely competitive markets in international industries such as cars and electronics, many largely domestic areas such as retailing and distribution are encrusted by regulations. These accumulated during the Liberal Democratic Party's 38-year reign, which ended in July, as it offered small businesses, retailers and farmers protection from competition in return for their votes. The myriad hurdles put in the way of a new shop opening, for instance, make it difficult for new entrants to set up in business, whether they are foreign or Japanese. As a result, competition is constrained and prices stay higher than they need be.

The international ramifications go further. Japan's trade surplus is a reflection of its high savings rate. A sustained shift towards consumption to reduce savings, and so the trade surplus, will require a relaxation of planning laws to make it easier for retailers to build shops and consumers to buy houses, for which they will buy goods. Japanese consumption is severely constrained by limits on housing development imposed by regulations to protect farmers.

Sceptics will caution that the Hosokawa coalition will face fierce opposition from the bureaucracy and business lobbies which could break it apart. Indeed, there are already signs of serious dissension over whether the government's mandate extends to thorough-going economic reform or is confined to enacting changes in the political system. Japan stands to benefit most if Mr Hosokawa is bold: his tentative step towards deregulation is a hint of how much a reformist government could achieve with several years in power, backed by powerful constituencies in favour of liberalisation, not least urban consumers.

The Bank of Japan and Ministry of Finance support deregulation as a means of heading off US pressure for further stimulus to boost the still sluggish economy and cut the trade surplus. The truth is there is still room and need for a further cut in interest rates and a tax-cutting package this autumn.

But the promise of deregulation also suggests a change of approach is needed on the part of Japan's partners, in particular the Clinton administration. It has sought to justify its call for managed trade agreements with Tokyo on the grounds that efforts to open up markets are rebuffed by bureaucratic resistance and political inertia. The US is now dealing with a government which is prepared to deregulate in the name of competition and the consumer. The Hosokawa government represents a chance for Japan to break with the past, and should be embraced by the Clinton administration as such.

Private prisons

A STRATEGY for future private-sector involvement in the UK prison service will be launched today by Mr Michael Howard, the Home Secretary. The opposition, prison officers and penal reformers have issued noisy warnings against any further privatisation of prisons. Mr Howard should not, however, be defensive about the merits of more competition in the prison system.

So far the management of only three prisons has been put out to tender. Private sector companies now run two of them: the Wolds on Humberside and Blakenhurst in Hereford and Worcester. But the benefits of competition can be seen best at Strangeways prison in Manchester, where the contract was awarded to the in-house team. Staff agreed to drop restrictive practices to submit a bid 20 per cent below the average cost of directly-managed prisons. The tendering process will need to continue if such savings are to be extended throughout the prison service.

The beneficial effects of privatisation are not limited to greater flexibility in the management of prisons. Privately-run jails can also bring innovation in the prison regime, as Judge Stephen Tumim, the chief inspector of prisons, stated in last week's report on the Wolds prison. He was fulsome in his praise for the facilities, the staff and the treatment of inmates.

Before further prisons are privatised, however, attention needs to be given to the Judge's criticisms of the Wolds. While inmates were allowed out of their cells for much of the day, too little was done to encourage them to use the time usefully. The result was "a degree of lethargy which can be corrupting", an unfortunate finding at a time when the home secretary is reported to be concerned that prison life is not austere enough.

There are special circumstances at the Wolds, which is the only prison devoted wholly to prisoners on remand. Since they have not been convicted, they cannot be compelled to work. But as Judge Tumim pointed out, the regime could provide inmates with incentives to make more productive use of their time, through work, education and training. Yet Group 4, the company running the Wolds, is not required to offer such opportunities by the contract under which the prison is managed.

The judge found other deficiencies in the contract. There was a lack of clarity over the responsibility for the care and discipline of prisoners. Responsibility was unclear for many items of expenditure, including utility charges, damage through vandalism and maintenance. There was an absence of systems for checking financial aspects of the contract.

The judge concluded that weaknesses in the contract made it impossible to determine the value for money of privatising the Wolds. The contractual arrangements must therefore be urgently reviewed before further prisons are privatised.

How economics is linked to ethics

The following is a digest of Monday's presidential address by **Samuel Brittan** at the British Association

The relation between economics and ethics is very much in the air. I had already suggested it for the theme of the economic section at the annual conference of the British Association for the Advancement of Science, which has been taking place this week in Keele, Staffordshire, when an authoritative survey article appeared in the most accessible of all academic journals, the Journal of Economic Literature, entitled Taking Ethics Seriously: Economics and Contemporary Moral Philosophy*.

The UK journal, The Political Quarterly, is presenting a special issue this September entitled Ethics and Markets; and there are many more such offerings in the pipeline. There is, in addition, the profitable sub-discipline, known as Business Ethics, linking the fringes of the corporate and the academic world.

These developments have many origins. The self-proclaimed role of the financier, George Soros, in toppling Britain from the exchange rate mechanism in 1992 made people ask whether such speculation is an immoral undermining of government policies or a praiseworthy acceleration of the overdue destruction of unrealistic parities and currency systems. Headline business scandals suggest the need to make more explicit the constraints within which profit-making should be pursued; and events in the former Soviet Union have underlined the difference between Mafia capitalism and the more respectable variety.

Much of the debate in the last two centuries has consisted of attacks on the morality of markets by self-proclaimed prophets, such as Carlyle or Ruskin, and less than completely convincing replies. My own presidential address to Section F (Economics) tried to ask a different question: how do the moral beliefs of economic actors, such as businessmen, workers or consumers, affect their behaviour and thus economic performance? A belief in a "fair wage" or a "fair profit" can affect the response to government economic programmes, just as much as more tangible forces, such as minimum pay laws and social security systems. In the ex-Communist countries, questions such as the range of permissible actions against competitors, or conventions governing the treatment of property, have proved much more relevant than the supposedly hard-edged mathematical relationships which preoccupy many top-grade western economists.

Debate is beginning on these issues; but much of it has been bogged down in a dispute on whether "man" is a predominantly altruistic or self-interested animal, a topic on which biology should have the last word. Less has been written on the specific effects of particular beliefs; and I had to proceed very much by example.

The debate has also been held back by the now-fading superstition, taught in many textbooks, that economic practitioners can only talk about means, and that attitudes towards, say, economic growth versus income equalisation are like tastes for strawberry or vanilla ice cream about which no argument is possible.

There are two general points to make:

- The influence of so-called moral beliefs is not always for the good. Cynics and hard-headed realists may do less harm than a Grand Inquisitor prepared to torture and sacrifice human life for his own idea of the greatest good.
- People do not have to be especially selfish to play the market game. Even altruists can justifiably buy in the cheapest market and sell in the dearest if this helps to reveal information about tastes, needs and know-how and to co-ordinate dispersed human efforts. Indeed an altruist may put more effort into profit-making than citizens with normal mixed motives, because he wants the largest possible earnings to devote to philanthropic activities.

But, irrespective of motive, the market game has to be played within rules and constraints which need explicit discussion and analysis. The following are examples where great confusion exists.

'Social tasks of business'

A couple of developments in business thinking, logically separable but often linked together, need probing. The first is the idea of the "social responsibility of business". An organisation entitled Business in the Community, which has the Prince of Wales as president and with which several business leaders are associated, has said in one of its documents that it means "companies using some of their people, their expertise, their surplus product, premises and equipment, and sometimes cash to help tackle problems like urban deprivation, school-business links, job creation and environmental improvements".

The second is the fashionable cult of the businessman as the person to run and advise on everything. Both the Thatcher and the Major governments have attempted to recruit corporate leaders to run industrial training, manage schools, reorganise Whitehall, run the health service, and heaven knows what else. What the two developments have in common is that they are attempts to achieve public policy objectives on the cheap and on the side and are thus unlikely to be too successful.

The cult of the businessman is less objectionable when executives spend a spell working full time in the public policy area. But it is difficult for a good manager just to take a couple of years off to work for a public authority and then return to his old career; and retired directors are a variable asset.

The big objection is to corporate executives being expected to undertake a large burden of public duties in their own or their companies' time. I often wonder how the favoured executives can manage their own organisations if they are also supposed to sit on hospital boards, run numerous other quangos and have a chance of normal family life and leisure.

People function best if they have specific responsibilities. If a businessman is partly responsible for government policy, and an official regards himself as responsible for the profitability of companies, then everyone is responsible for everything, and no one is responsible for anything in particular.

The advocates of "socially responsible" business make very large claims; and their slogan writers regard any questioning of their rationale as an attack on objectives such as urban renewal, support of the arts or employee welfare facilities. If one is not careful they will insinuate that one is to the right of Genghis Khan, not to speak of "monetarist".

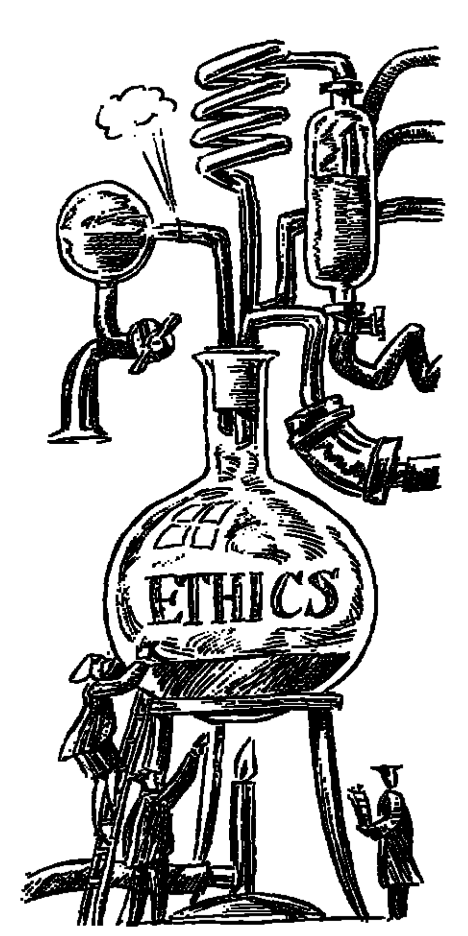
There is a systematic ambiguity. Do the proponents claim that the extra activities will indeed help a business's long-term profitability? Or do they assert that a business should follow different objectives? Too often they try to have it both ways.

"Corporate responsibility" lacks the legitimacy of either the market or the political process. It is not for managers to set themselves up as taxing authorities over funds which belong to shareholders – who may be their own employees or other workers investing through pension funds.

The "constitutionalist" opponent does not have to be starry-eyed about real world markets. He is saying that if there are market failures or inadequacies, it is up to the government to set up incentives for people to behave differently, by taxes or subsidies or, if necessary, by regulation or financing public services. Income can be redistributed via the tax and social security system. The government can intervene to improve incentives for training or for letting homes. But it is not for corporations to take on a pseudo-governmental role.

The weakness of the constitutionalist position is that it falls into the trap of supposing that flesh-and-blood government will conform to some textbook model. But of course official programmes will be driven or distorted by interest groups, or by the self-interest of the providers of public services. Education, training and environmental programmes will often be very different from those that would help most. As corporate executives may have readily tapped dispersed local information, why not make use of their know-how? So the argument is not as clear-cut as readers of Milton Friedman might suppose.

In the last analysis, however, even our imperfectly enfranchised shareholders will ensure that companies do not devote more than a modest proportion of their resources to non-bottom line activities; so both the business enthusiast and the government are deceiving themselves if they expect "socially responsible companies" to carry the public policy load.



Market's role still baffles

The market is only part of a well-functioning economic system; and many surrounding policies, practices and habits of mind are required to obtain good value from the market system. Yet a functioning market core is still indispensable.

Matthew Parris, in one of his excellent tongue-in-cheek columns in The Times, has reminded us that most people do not accept the market system. Parris writes of an aunt of his who believes that there is such a thing as a fair price or wage that can be determined by contemplation rather than the state of the market. "To my aunt – who votes Conservative, takes the Daily Telegraph and regards socialism as the work of the devil – a fair price is what will secure a reasonable profit after paying employees a decent wage."

It is not that most people are egalitarians. Many people can understand the incentive role of pay and profits. They also accept – if anything, too readily – the hierarchies and financial differentials of modern life. But the elementary demonstration of the role of relative prices in allocating resources and reducing queues has little meaning, even for the educated public. As Parris says: "Our morality does not mesh with our economic system; but because we need both they cohabit in an awkward marriage based on silence."

The area where popular morality clashes most with market requirements is in the labour market. Examples include minimum pay levels enforced by legislation or collective agreements – or other kinds of costs imposed on employers by measures of a "European social charter" kind. Such policies are supported by the popular belief that it is wrong to encourage anything that smacks of undercutting by workers bidding for a job, or by employers trying to obtain workers on the cheap.

How reasonable is this anti-undercutting mentality? The one near-certainty to hold on to is that, if the loosening of minimum pay laws or their equivalents increases total employment, then the income of the whole community is higher.

There are unfortunately likely to be low-income losers. Even if newly taken-on workers are no worse off, their entry is likely to shake out the wages structure and worsen the pay of the less well-paid already in work.

Thus a reasonable condition for eliminating minimum wages is that those priced into work should not receive less than they now receive on social security. This can be done with the aid of a top-up like the present UK family benefit, provided it can be extended to families without children and to single people, and the conditions for drawing it made less restrictive.

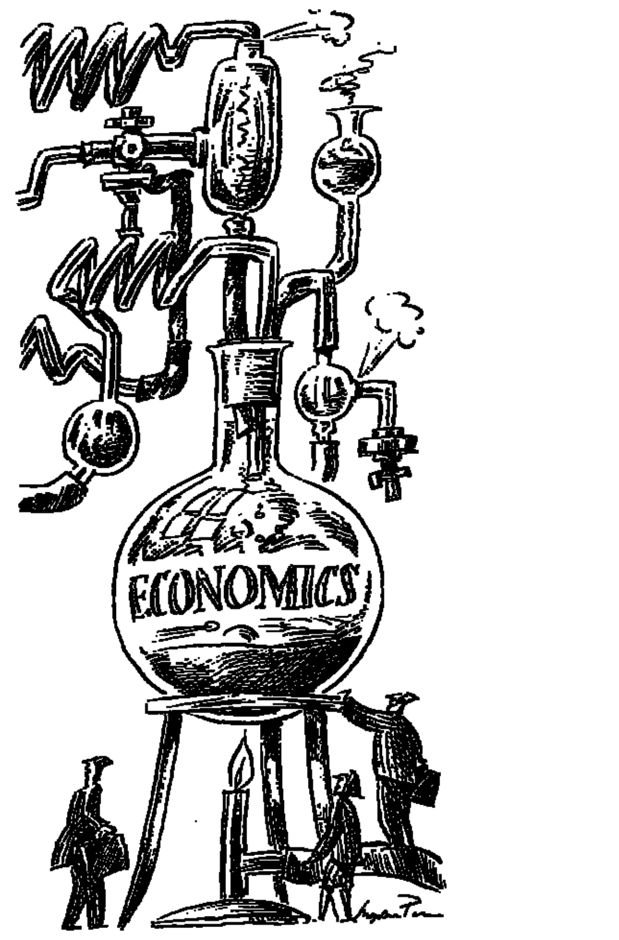
The more difficult people to compensate are those now in work earning above, but not too much above, the social security minimum. Some softening of the blow would be desirable. A basic or minimum income with a high cut-off rate, or implicit marginal tax rate, is the most likely bet. This could be achieved by adjusting existing social security payments and need not involve a vast new scheme. The more selective social security becomes, the more generous governments can be with top-up payments.

There is a still more difficult hornets' nest, which I can only stir and not really tackle. This is the high unemployment in OECD countries and particularly in Europe that prevails over the average of business cycles and even in boom periods. For it is now possible that quite a big fall in average real pay would be required to price into work enough people to satisfy even a modest definition of full employment.

It is possible that more than 100 per cent of the national income increase would accrue to owners of capital and land. Some extra tax on capital or income from capital could surely be justified to cushion the shock, although not so much as to kill the labour-using investment required.

I make the suggestion, not as a cure-all but to indicate the impasse which we have reached as a result of the collision between popular attitudes towards just rewards, and the requirements of high employment.

What is needed is more critical scrutiny of widely accepted moral beliefs and the moral implications of widely advocated economic policies. The idea of technocratic value-free economics has had its day.



** June 1993 issue, American Economic Association, 2014 Broadway, Suite 205, Nashville, Tn 37203.*

The full text of Samuel Brittan's lecture can be obtained from the British Association or the Financial Times

OBSERVER

Reconstructed thoughts

■ More proof, if such were needed, that French monetary policy is still in disarray after August's European currency upset.

Bank of France governor Jacques de Larosière has abruptly withdrawn his contribution to a book, The European Currency Crisis: One Year On, to be published later this month. His action contrasts with that of other distinguished contributors such as Erik Hoffmeyer, the Danish central bank boss, who cheerfully amended their offerings to take account of last month's upheavals.

That de Larosière might be in a fix is understandable. His piece was to be entitled "The experience of defending the franc" and would presumably have needed to be rewritten to reflect the recent discomfiture of the currency.

No doubt he has his hands full moving from his gilded Parisian office to the president's desk at the equally opulent, if more modern, headquarters of the EBRD.

But Paul Temperton, the book's editor at Probus Europe, is a bit miffed that no French official has been prepared to step into the breach. Despite repeated badgering, there has also been silence as to whether de Larosière or another official will join the book's authors and speak at the London launch later this month. "We've tried everything," cries Temperton, who would still be prepared to make space for a French contribution in any second edition.

Wicks' next trick?

■ Meanwhile, though Jean-Claude Trichet's move from the French treasury to the governorship of the Bank of France has yet to be confirmed, it has not hindered whisperings concerning Trichet's replacement as chairman of the EC's secretive but influential monetary committee.

This assembly of top officials from EC finance ministries and central banks is habitually headed by a treasury hand, rather than a central banker, from one of the larger EC economies. So the face of Sir Nigel Wicks, the second permanent secretary at the UK Treasury responsible for international affairs, who has been tipped by a number of European monetary officials as a likely candidate, would certainly fit.

Normally a two-year stint, the chairmanship has rarely been in British hands, though Sir Nigel's predecessor, Sir Geoffrey Littler, held the position in 1987 and 1988. The Treasury is saying nothing, but Wicks is well-qualified. Long famous in Whitehall for an over-full agenda, he has been shedding some of his many duties in recent months and so presumably could find time.

He might, of course, run into some opposition from Euro-enthusiasts. Wicks was one of Mrs (now Lady) Thatcher's favourite civil servants and, in his rapid ascent to the top of UK monetary diplomacy, was a robust advocate of British interests.

But he earned high marks from EC colleagues for his part in negotiating the Maastricht treaty. "He was much better than Norman Lamont," said a senior continental central banker yesterday.

'Tell them we switch the talks to Norway if they don't get on with it'

On your marks

■ The poor Trabant. Affectionately or otherwise known as the Trabby, it was quickly traded in by east Germans as soon as they could exchange their old marks with the new hard D-Mark.

Nobody wanted to be seen spluttering along Unter den Linden with the two-stroke engine. A fast Porsche would do nicely instead.

Now it turns out that the Trabby is the most stolen car in Germany. It is true that the locking and security devices in the plastic-carriage Trabby are not what you would call fail-safe. But why should anyone try to steal a Trabby and think they could get away with it by speeding up the autobahn?

Cynics have the answer. The Trabby is not an environmentally friendly car. Hence the insurance is set specially high in order to encourage owners to upgrade style and engine.

What better way of getting rid of it than by arranging for it to disappear?

If not recovered, the owner can claim some DM1,771. Not bad, when you can pick one up second-hand for about DM400 in Berlin.

Hush hush

■ Guido Rossi, the former stock market watchdog and left-wing politician parachuted in by anxious creditor banks to chair Italy's troubled Ferruzzi group, has been showing his teeth.

His patience sorely tested during a mammoth seven-hour annual meeting this week, Rossi finally lashed out at one of the small "shareholders", whose interminable interventions have become a feature of many such Italian meetings.

For years, observers have scratched their heads as to why a number of important companies managed to escape entirely the attentions of these persistent questioners. Could Rossi have revealed the answer?

Even the most long-suffering chairmen have been known to wilt when the infamous Marco Bava raises his hand to request the floor. The new broom at Ferruzzi, however, proved more than a match for him.

Traditionally silent at the meetings of Italy's second biggest private company, Bava had this time engaged the audience for a full two hours.

But no sooner had he sat down than Rossi drew out a pile of records his accountants had helpfully unearthed detailing "consultancy" fees paid by Ferruzzi to Bava in years gone by.

In-house job?

■ A sheepish company librarian rang up the New York-based Conference Board recently requesting another free copy of its *Corporate Ethics Practices*. The original had been stolen from the law firm's library.

FINANCIAL TIMES
Thursday September 2 1993

German support for Blair House trade agreement remains unchanged

Kohl dispels fears on farm deal

By Ariane Genillard in Bonn and David Gardner in Brussels

MR HELMUT KOHL, the German chancellor, yesterday sought to dispel fears that Germany might support French demands for a renegotiation of the European Community's agreement with the US on farm trade.

After a meeting with Mr Peter Sutherland, the general secretary of the General Agreement on Tariffs and Trade in Bonn, Mr Kohl said Germany's position on the Blair House agreement signed last November in Washington was unchanged.

"Nothing I have heard reflects that there is a repudiation of Blair House from Germany," Mr Sutherland added.

Mr Sutherland, however, stressed that clarity was urgently needed in the Community so that trade talks under way in Geneva would not be stalled and that a successful conclusion could be reached by December 15.

"It is up to the Community to make its position clear. Certainly continued confusion is not conducive to a successful conclusion of the trade talks which are taking place at very difficult times," he said.

In Brussels, the European Commission reiterated its unanimous support for the Blair House agreement. At its first weekly meeting after the summer break, the European Commission, which negotiates trade agreements on behalf of the 12 member states, ruled out any possibility of a renegotiation.

Although some commissioners made clear that there could no longer be any ambivalence over the farm trade agreement if a settlement of the Uruguay Round of Gatt is to be reached by its December deadline, other officials were more circumspect on France's possible new demands, and Germany's apparent support for them.

"This is a very delicate situation, and we are going to be called upon to square the circle," one senior Commission official said.

Mr Sutherland issued his warning as Mr Kohl reiterated that French resistance to the farm agreement had to be overcome in order to reach a successful conclusion to the Uruguay Round of Gatt trade talks.

"Difficult and complicated negotiations could only be concluded successfully if all participants are fundamentally ready to compromise," Mr Kohl's statement said.

Senior government officials meanwhile said Germany would continue to hear out the French objections to Blair House in a process which started on Wednesday as officials from the chancellor's office, the foreign affairs ministry and the agricultural ministry met their counterparts in Paris.

But they emphasised that they were seeking a compromise which represented a viable solution for the French and did not jeopardise the Blair House agreement between the European community and the US.

Nerve cell transplants may help fight brain diseases

By Nuala Moran and Clive Cookson in Keele, England

THE TERM "gut reaction" may soon take on a new meaning, with nerve cells from a patient's intestine being transplanted to cure brain disease.

Animal studies at University College, London, show that nerve cells transplanted from a rat's gut into its brain grow into the surrounding tissue, while at the same time nerves from the brain penetrate into the transplant.

Some of the animals had brain damage which would be a good model for human degenerative disorders, notably Huntingdon's Chorea and Parkinson's disease.

Professor Geoffrey Burnstock, head of anatomy and developmental biology at UCL, presented his preliminary results to the British Association for the Advancement of Science meeting at Keele yesterday.

Dr Peter Jenner of the Parkinson's Disease Experimental Research Laboratories at King's College, London, described the findings as "very exciting".

Prof Burnstock says gut-to-brain transplants would avoid many of the problems posed by foetal transplants. In these cells have been transplanted from human foetuses into the brains of Parkinson's sufferers as a means of "rewiring" the damaged nerves.

But Dr Jenner said this technique had been over-hyped and produced false hopes, because the foetal cells have not grown well enough. The best results were on patients in Sweden but none of them had recovered sufficiently to stop taking drugs.

Most of the chemical messengers which control brain activity are present in the intestinal nerve cells.

There would be no possibility of the transplant being rejected by the patient's immune system, because it came from his or her own intestines. Moreover, the ethical objections which are raised in the transplanting of foetal cells would not exist.

The next stage in Prof Burnstock's research will be to discover what it is about the gut transplant that triggers nerves in the brain to start growing. Usually when the brain is injured the damage is permanent because nerves do not grow back.

If the factors responsible are isolated, they could be used to treat spinal injuries and other nerve damage.

The UCL research also opens up the possibility of curing inherited brain disease. Gut-to-brain transplants could be used to deliver correct copies of faulty genes.

It is not clear how soon the research could be applied to humans. Further animal studies are needed to find out how selective the transplant's effect is and how its growth is controlled. If the transplant grew indiscriminately, it could cause tumours. Prof Burnstock says behavioural studies of animals with transplants would be the way to find out.

Personal health cards, Page 6

UK asks EC members to cut cost of employment

By David Gardner in Brussels

BRITAIN is calling on fellow European Community members to reform their social security systems to cut the cost of employment and for a radical review of all existing and proposed EC social legislation in the light of its impact on job creation.

The proposals are contained in a UK Treasury and Department of Employment document submitted to the European Commission. The Copenhagen summit of EC leaders in June mandated Brussels to produce a policy document on growth, competitiveness and jobs for the Brussels summit in December, and the Commission yesterday began formal discussion on the subject in closed session.

The UK call comes as EC countries including Germany, France and Belgium are searching for ways to lighten the cost to business of taking on workers. These countries are also leading defenders of the EC's Social Charter – signed by all except the UK in 1989 – and the Maastricht treaty's social chapter, from which Britain negotiated an opt-out.

The UK document calls for "early proposals for lightening the burden of Community rules," and a Commission "task force" to re-examine EC social legislation. It wants the Commission to "introduce a system of cost-benefit analysis" for its proposals, particularly in environment and social policy.

Ironically, the UK was offered such an audit system at the December 1991 Maastricht summit, as part of a compromise whereby Britain would accept a watered-down social chapter, but Mr John Major, the UK prime minister, refused. The UK now senses the tide is turning in its favour in the debate on labour market deregulation.

Europe's jobs crisis, Page 3

Bosnia talks break down

Continued from Page 1

lem demands on the grounds that giving up Neum would isolate Dubrovnik, the resort on the southern Dalmatian coast, from Croat regions.

Amid fears that a breakdown in talks could lead to renewed fighting in central Bosnia, Gen Francis Briquemont, UN commander in Sarajevo, yesterday travelled to Medjugorje near Mostar to supervise ceasefire talks between Bosnian and Croat forces.

Meanwhile, Mr Manfred Wörner, secretary-general of Nato, yesterday met Mr Boutros Boutros-Ghali, UN secretary-general, in Geneva, to discuss the possible deployment of more peace-keeping troops.

White House cuts US growth forecasts

Continued from Page 1

that manufacturing industry is contracting. A sharp fall in an employment trend index indicated that jobs are probably still being shed in manufacturing.

The Commerce Department said floods in the Midwest and droughts in the Southeast contributed to a 0.2 per cent decline in personal incomes between June and July; personal incomes fell 0.1 per cent between May and June. Officials said this was the first time since 1954 that personal incomes in cash terms had fallen for two consecutive months.

Consumer spending, however, rose 0.4 per cent in July, to register its fourth consecutive monthly gain. In a separate report, the department said construction spending fell by 0.5 per cent in July, after a 1.8 per cent gain in the previous month.

The administration's forecast of only 2 per cent growth this year mainly reflected disappointing growth in the first half. The White House claimed GDP growth would have been 0.3 per cent faster both this year and next had a Republican minority in the Senate not blocked a planned short-term fiscal stimulus earlier this year.

The 2 per cent growth forecast is consistent with a modest acceleration of economic growth in the second half to an annual rate of close to 3 per cent. The revisions mirror similar adjustments by private sector forecasters.

THE LEX COLUMN

Ciba's challenge

While Ciba is further down the road towards restructuring than most of its continental European rivals, yesterday's half-year results underline that it cannot afford to relax. The 10 per cent fall in operating profits would have been worse but for cost-cutting measures already taken. The expiry of the US patent of Voltarin, its largest selling drug, at the end of this year will be a further test of resolve. The target set in 1991 was to reduce costs in relation to sales by three percentage points over three years. The question is whether management will stick to its guns should sales growth prove elusive.

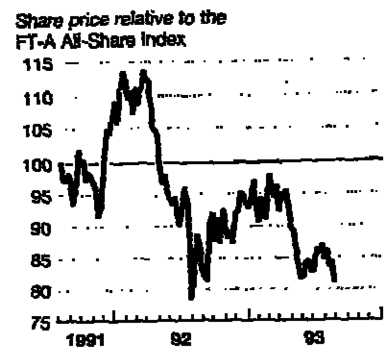
By cutting 700 jobs from its US pharmaceuticals business, Ciba has taken pre-emptive action ahead of the patent expiry. The hope must be that its interests outside pharmaceuticals will be showing decent sales growth by the time Voltarin starts to decline. Yesterday's statement was surprisingly positive in respect of both industrial chemicals and agrochemicals, despite the dual impact of recession and Common Agricultural Policy reforms.

But that may not be enough to stir enthusiasm among investors. The immediate prospects for Ciba's pharmaceuticals look uninspiring in comparison with Roche or Astra. Yet the scope for cyclical recovery in agrochemicals is – for those prepared to take an optimistic view – no match for bulk chemicals companies such as BASF.

FT-SE Index: 3085.1 (-14.9)

Tate & Lyle

Share price relative to the FT-A All-Share Index



Source: FT Graphite

Tate & Lyle

Whatever one thinks of Tate & Lyle's profit warning, the company deserves some credit for the way in which it was announced. A formal statement is more honest and open than dribbling out the information selectively to analysts, even if it does mean more abrupt swings in share prices. The 6 per cent fall in Tate's share price looks excessive when profits growth will still be in the mid-teens this year and the dividend is unaffected. It has a certain logic just the same.

Tate is rapidly acquiring a reputation for not delivering on promises. Its failure to recover as quickly as expected from last year's setback in the US fructose market follows earlier disappointment with two high value-added products, Sucralose and Stellar, and the unexpected departure of Mr Stephen Brown as chief executive in March.

Tate's strategy of focusing on its basic commodity business has two significant drawbacks. It is forcing the company into markets like eastern Europe where pay-back periods are long, and it subjects profits to the whims of politicians. The US fructose market would be less crowded if ethanol were allowed as a petrol additive and the North American Free Trade Agreement ratified, though the latter provides for only a gradual reduction in Mexican import tariffs. But one cannot count on these developments. Tate's historic yield of 4 per cent is only limited compensation for the uncertainty; Dalgety and United Biscuits offer more.

Courtaulds Textiles

Mr Martin Taylor's farewell to Courtaulds Textiles was bound to be bittersweet. Despite the upturn in the UK market, the lead times in textiles are such that the chairman will not be there to enjoy the full fruits of his labours. Indeed, in the three years since Courtaulds Textiles was demerged, sales of continuing operations are up modestly, profits and earnings are flat and return on capital employed is down. True, that performance leant on pension credits above the line on the one hand and extraordinary bloodletting below on the other. But then the company has had to deal with the horrors of recession and the ERM. Fund managers, meanwhile, have had the cash generation and strengthening balance sheet to help them keep the faith.

In the second half, and more particularly next year, the recovery should start to show through more strongly. The replacement management team may thus count itself fortunate since, somewhat unfairly, institutional patience may wear thinner once Mr Taylor's presentational panache is put to work elsewhere. Dropping the pilot this early in the upswing also gives several board members a chance to become more seasoned in their functional responsibilities before they have to face serious navigational hazards.

BPB

The departure of Mr John Maxwell after only nine months as chief executive of BPB provokes explanations both mundane and Machiavellian. On the one hand the bromide issued by the company to explain his removal seems both a little thin and self-serving. BPB had six months to evaluate Mr Maxwell's performance before promoting him, so any concerns might have been expected to come to light earlier. If there were worries about his performance, then he was given precious little time to rectify them in a period of comparative calm in the plasterboard market.

The temptation is thus to look deeper for potential policy disagreements. While there is much to be said for concentrating on areas of expertise, BPB's heavy dependence on a single product with such a violent cycle is something few managers would freely choose. If Mr Maxwell wanted to diversify he might well have met resistance, since the company has failed here before. Perhaps the appointment of his successor will offer clues to the course of such internal debates.

Simon Engineering

About the only piece of encouraging news amid the red ink is that Simon Engineering has finally stopped leaking cash. A cash outflow of £80m over the last 18 months – more but for recent asset sales – cannot be blamed on poor markets alone.

The shame is that it took a breach of banking covenants and a change of management to bring about effective action. While additional cash might be squeezed by reducing working capital, the sheer scale of indebtedness now demands further disposals.

The promised refinancing agreement contains a timetable for repayment, leaving the banks with the whip hand. Shedding surplus property and loss-making subsidiaries is unlikely to suffice. The recovery potential of what is left will not be clear until that process is complete.

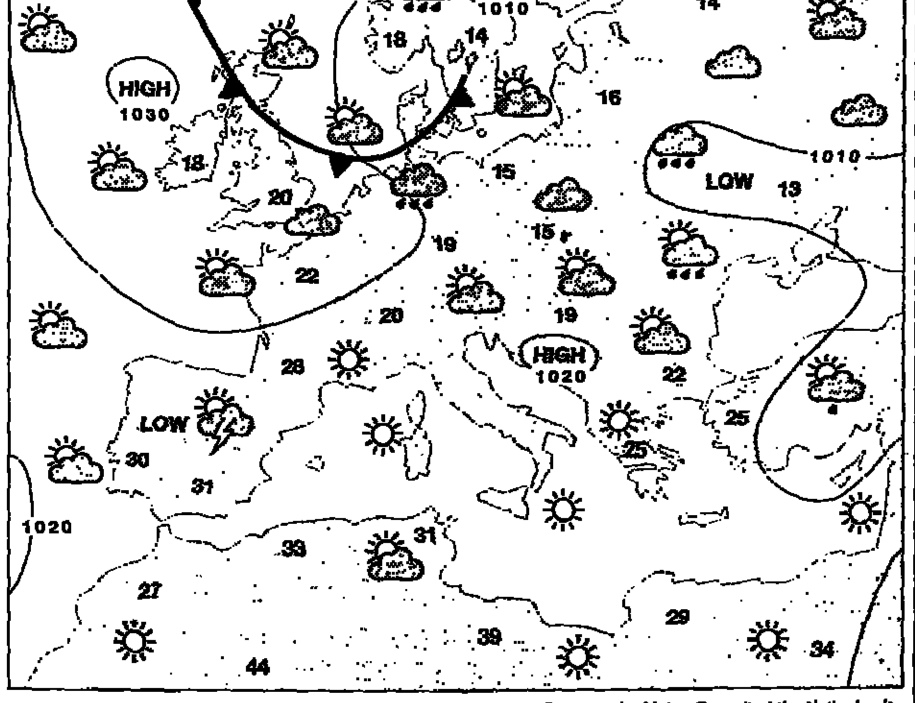
FT WORLD WEATHER

Europe today

Between high pressure over Britain and depressions over Scandinavia, a north-westerly air flow from the North Sea will continue bringing cool air into north-western Europe. Scotland, eastern England and coastal areas from Denmark to Normandy will have cloud and drizzle. Elsewhere in the British Isles and northern France, some sunny spells will alternate with clouds. Northern Spain will have thunderstorms but extensive sunny periods are expected Central and southern France, Italy and much of south-west Europe will continue sunny and warm. A low over the southern CIS will bring some rain and showers to eastern Europe.

Five-day forecast

High pressure will move from the British Isles to central France giving settled and dry conditions. Later, a depression with southerly winds and unsettled conditions will approach from the Atlantic. Thunder showers will develop in south-east Europe and move east over Greece on Saturday before dissipating Elsewhere in the Mediterranean it will be mainly sunny and warm.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	42
Accra	thund	28
Algiers	sun	31
Amsterdam	drzzl	16
Athens	fair	26
B. Aires	cloudy	12
B.ham	cloudy	20
Bangkok	cloudy	33
Barcelona	fair	27
Beijing	cloudy	31
Belfast	cloudy	17
Belgrade	cloudy	19
Berlin	drzzl	16
Bermuda	sun	31
Bogota	cloudy	19
Bombay	cloudy	30
Brussels	cloudy	18
Budapest	fair	19
C.hagen	shower	15
Cairo	sun	36
Cape Town	fair	18
Caracas	fair	30
Cardiff	fair	20
Chicago	fair	27
Cologne	cloudy	17
D' Salaam	fair	31
Dakar	fair	31
Dallas	fair	35
Delhi	fair	35
Dubai	sun	39
Dublin	fair	18
Dubrovnik	sun	24
Edinburgh	drzzl	20
Faro	sun	29
Frankfurt	cloudy	18
Geneva	sun	22
Gibraltar	sun	29
Glasgow	cloudy	19
Hamburg	drzzl	14
Helsinki	cloudy	13
Hong Kong	cloudy	31
Honolulu	fair	32
Istanbul	fair	22
Jersey	fair	19
Karachi	cloudy	33
Kuwait	sun	46
L. Angeles	sun	24
Las Palmas	fair	27
Lima	cloudy	19
Lisbon	sun	29
London	cloudy	20
Lux.bourg	cloudy	18
Lyon	sun	23
Madeira	sun	26
Madrid	fair	32
Majorca	sun	31
Malta	sun	29
Manchester	cloudy	20
Manila	cloudy	32
Melbourne	cloudy	18
Mexico City	fair	20
Miami	thund	32
Milan	fair	24
Montreal	fair	24
Moscow	drzzl	15
Munich	fair	19
Nairobi	thund	27
Naples	sun	27
Nassau	fair	32
New York	fair	29
Nice	sun	24
Nicosia	sun	37
Oslo	cloudy	20
Paris	cloudy	22
Perth	cloudy	17
Prague	cloudy	18
Rangoon	cloudy	29
Reykjavik	hazy	14
Rio	fair	24
Riyadh	sun	43
Rome	sun	26
S. Frsco	sun	24
Seoul	fair	29
Singapore	shower	29
Stockholm	rain	13
Strasbourg	fair	21
Sydney	fair	20
Tangier	sun	29
Tel Aviv	sun	36
Tokyo	shower	28
Toronto	fair	26
Tunis	fair	29
Vancouver	sun	23
Venice	sun	24
Vienna	fair	20
Warsaw	cloudy	17
Washington	cloudy	33
Wellington	cloudy	11
Winnipeg	cloudy	18
Zurich	fair	20

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday September 2 1993

INSIDE

Incentive to buy cargo equipment unit

Incentive, the Swedish industrial group controlled by the Wallenberg family, is set to become the world's leading supplier of shipboard cargo handling equipment after agreeing to buy MacGregor-Navire from Kone, the Finnish elevators group. Page 14

Roussel and Hoechst reorganise

Roussel Uclaf of France and its parent, Hoechst of Germany, are to reorganise their pharmaceuticals management and increase specialistion of drugs research. Page 14

Boral bids for energy group

Boral, the Australian building products group, has made a A$759m (US$508m) takeover bid for Sagasco, the South Australian petroleum group. The addition of Sagasco would mean that about one third of Boral's gross earnings would come from energy. Page 15

Persimmon house sales rise

Persimmon's total house sales rose 30 per cent to 1,462 in the half-year to June but lower margins held back the rise in pre-tax profits on housebuilding which were £7.36m ($11m), compared with £7.25m. Mr Duncan Davidson, chairman, said: "House prices are starting to move." Page 17

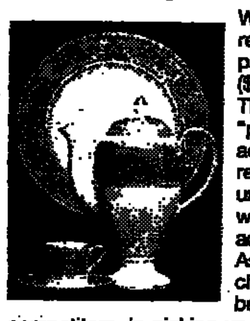
Watered-down whisky

Invergordon Distillers, the independent Scotch whisky producer, reported a 23 per cent fall in first half pre-tax profits to £11.3m ($17m). Mr Chris Greig, managing director, blamed a fall in the price of mature whisky because of weak demand and overstocking in the industry. Page 18

North America boosts Senior

Senior Engineering, the tubing, ductwork and thermal engineering group, raised pre-tax profits 14 per cent to £11.4m ($17m) in the six months to June 30. For the first time North America accounted for more than half of group operating profits, which grew by 19 per cent to £11.8m. Page 19

China group in the crystal-clear



Waterford Wedgwood has reported its first interim profit – I£400,000 ($562,000) – in six years. The company said that "profit growth has been achieved through cost reduction rather than volume growth". The Wedgwood fine china division, according to Mr Kneale Ashwell, the division's chief executive, was doing better, not only than our competitors, in picking up market share, but better than the luxury goods sector as a whole". Page 19

Emerging markets fluctuate

The world's emerging markets saw some wide fluctuations last week. South Korea lost all of the previous week's gains and Indonesia did well once again, helped by reasonably good interim reports and continuing foreign buying. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Schneider	799	+	10
Rises				**Falls**			
Varta	310	+	8	Bancaire Cie	559	–	18
Falls				Club Mediterr	405.1	–	31
Daimler-Benz	739.5	–	15.5	Elf Aquitaine	435.7	–	10.2
Karstadt	564	–	11	Lafarge Coppee	420	–	12.5
Linotype-Hell	358	–	18	**TOKYO (Yen)**			
Mercedes	743	–	14	**Rises**			
NEW YORK ($)				Dai Tokyo F&M	847	+	22
Rises				Izumiya	1870	+	80
AMR	88	+	1	Saibu Gas	565	+	45
Internat	61¼	+	1	**Falls**			
Litton	68	+	1½	Hokuriku Bk	859	–	23
Microsoft	77	+	1¾	Nikkatsu	30	–	5
Falls				Seibu Railway	3980	–	140
Apple	26⅛	–	¾				
Honeywell	35⅝	–	3				
PARIS (FFr)							
Rises							
Nord Est	157	+	7				

New York prices at 12.30.

LONDON (Pence)				Bespak	548	–	62
Rises				Dixons	226	–	7
Finlay (J)	84	+	4	INSTEM	142	–	19
Glaxo	614	+	20	Invergordon	286	–	9
Hanlys	233	+	11	Lloyd Thompson	315	–	13
ICI	731½	+	17½	Rugby	262	–	12
LWT	478	+	13	Sharelink	335	–	13
P-E Intl	75	+	10	Simon Eng	57½	–	15½
Plantsbrook	84	+	4	Tate & Lyle	375	–	25
RCO Hldgs	388	+	18	Taylor Woodrow	121	–	5
SEET	55	+	7	Tesco	230	–	7
Schroders NV	1283	+	70	Vodafone	547½	–	23½
Severfield Rve	49	+	7				
Falls							
BPB Inds	232	–	18				

Krauer: 'We knew 1993 would not be an easy year'

Farm side hampers Ciba

By Ian Rodger in Geneva

CIBA, the diversified Swiss chemicals and pharmaceuticals group, has reported an 8 per cent slide in net income from ordinary activities in the first half to SFr1.4bn ($954m).

"We knew that 1993 would not be an easy year," Mr Alex Krauer, chairman, told shareholders. He forecast that net income in the full year would be higher than last year's level, but warned that growth would be limited "by the present unfavourable conditions of our business environment".

Ciba's interim results were weaker than those reported by its two Basle-based neighbours, Roche and Sandoz, reflecting a greater proportion of recession-hit agricultural and industrial chemicals businesses.

Group sales fell 4 per cent to SFr11.85bn, with all divisions reporting declines except the relatively small self-medication, diagnostics and optical businesses.

Operating profit fell 10 per cent to SFr1.9bn, but an improved financial result meant the pre-tax profit was down only 6 per cent to SFr2.03bn.

After an extraordinary SFr120m gain last year on the sale of an additives business, net income was flat.

Sales in the pharmaceuticals division, which accounts for about a quarter of turnover, were down 6 per cent to SFr3.07bn, depressed by healthcare reforms in Germany and Italy and the prospect of reforms elsewhere.

The comparative figure was also inflated by the introduction of the nicotine patch, Habitrol, in the US. Habitrol sales in the first half of last year were more than SFr400m, but settled to SFr40m in the first half of this year.

Ciba is the world's largest producer of agricultural chemicals and sales of its farm-related businesses account for a further quarter of group turnover. These sales fell 7 per cent to SFr3.09bn, largely because of pressures on European Community farmers to grow less and to use fewer chemicals.

The group's industrial companies – mainly involved in dyes, pigments and related chemicals – suffered a 5 per cent slide in sales to SFr4.4bn. Sales of textile dyes were flat, with declines in Europe and Japan offset by strength in the US market.

Additive sales rose 4 per cent, excluding the figures for a divested company, as weakness in additives for polymers was offset by high demand for products for coatings, radiation curing and photography.

Lex, Page 12

Tate & Lyle issues warning

By Maggie Urry in London

SHARES in Tate & Lyle fell 25p to 375p yesterday after the UK sugar and sweeteners group said profits for the year to September 25 would "fall short of the 1991 level".

Analysts cut profit forecasts from around £235m ($347m) to about £220m pre-tax following the announcement. Some also cut forecasts for 1994.

Tate said trading in its North American sweeteners businesses had been less buoyant than expected in the second half of the year.

In North America, Western Sugar, which processes sugar beet, had difficulties at a new molasses desugarisation plant. US government quotas, introduced to reduce the amount of sugar on the market, had forced it to hold higher stocks.

Low sugar prices hit margins at Tate's Domino sugar subsidiary, which refines sugar cane. The quotas had helped to increase sugar prices, but this came too late to benefit 1993 profits.

AE Staley, which makes high fructose sweetener from corn, had recovered some of the volume it lost in 1992, but prices had not risen as hoped, Tate said, and margins fell. The industrial dispute at Staley was yet to be resolved but would not have a material effect on profits. Floods in the mid-west had cut production from some rivals but this was too late to benefit the 1993 figures.

Tate said this year's results would still show "a marked improvement over those achieved last year", when it suffered its first trading reverse for 14 years.

In 1992 pre-tax profits dropped to £189.5m from £230.8m in 1991. Analysts had expected a rebound above the 1991 figure in the current year, a view reinforced by interim pre-tax profits up 20 per cent to £107.6m.

Mr Paul Lewis, finance director, said the announcement had been made because the group was seeing analysts later this week before annual results are published in November.

Tate thought market forecasts were too high and decided to make a public statement, following the London Stock Exchange's censure of London International Group after it guided analysts to cut profit forecasts without making a formal announcement.

Mr Lewis, who appeared surprised by the London market reaction, said the statement represented a "slight modification" to expectations, which would not affect dividend policy.

Lex, Page 12

Courtaulds Textiles slows in Europe

By Roland Rudd in London

HIGHER than expected interest costs adversely affected Courtaulds Textiles which reported a 16.5 per cent fall in pre-tax profits, from £16.4m to £13.7m ($20.27m), for the six months to June.

The drop in net interest payable, from £3.1m to £2.8m, was less than analysts had expected.

Mr Martin Taylor, chairman and chief executive, said analysts had made "an error" in not realising the adverse effect on interest income of the fall in UK interest rates. Courtaulds keeps most of its cash in sterling deposits.

Borrowings declined from £64.6m to £53.2m. However, Mr Taylor said the group would be effectively degeared by the year-end when debt should fall back by around £50m.

Profit before interest in the UK rose from £9m to £10.6m, while the US edged up to £4.5m, against £4.4m. In the rest of Europe, however, profits collapsed from £2.8m to £400,000.

Mr Taylor said: "The continent is hell. Profits have fallen for five half-years running and that hurts. The outlook is not good."

The results were also affected by the restructuring of the pension scheme. The contribution from the pension fund surplus fell from £2.4m to £700,000.

Profits before interest fell from £16.2m to £15.3m on increased turnover of £422.5m, compared with £394.9m. It was the first rise in sales since the demerger from Courtaulds Chemicals three years ago.

Mr Taylor said: "Last year we reported big profit increases but were bearish about the UK economy. This time profits have fallen but we are basically bullish about the British recovery." After falling 13p the shares rose 7p to close at 574p.

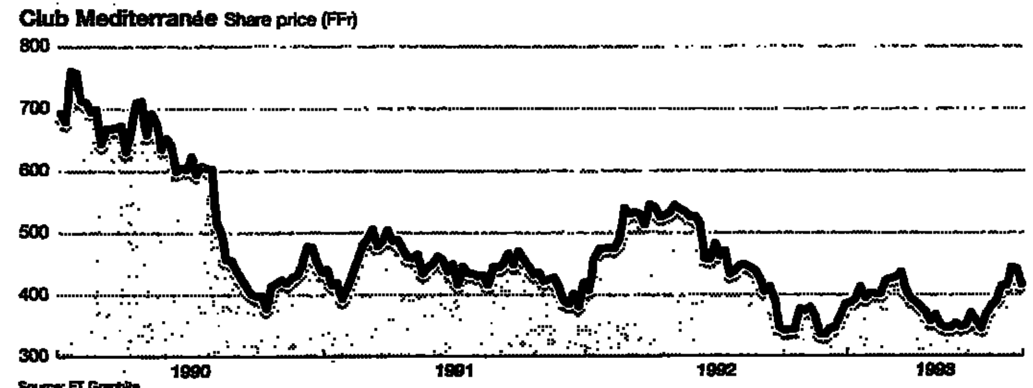
A change in boardroom responsibilities follows Mr Taylor's appointment as chief executive of Barclays Bank, which he starts in January.

Mr Noel Jervis, managing director, will replace Mr Taylor as chief executive.

Earnings per share fell to 10.4p from 12.2p. The interim dividend is raised from 4.4p to 4.7p.

Lex, Page 12
Details, Page 17

Club Med sails close to the red



Source: FT Graphite

THE SUMMER holidays have come to an abrupt end for Club Mediterranée, one of France's largest leisure and travel groups.

Club Med warned yesterday that the effects of recession and political problems in some of its resorts could cause a pre-tax loss in the second half, which started at the end of April. The share price fell FFr31 to close at FFr405.10.

"They are in a risky business," said one Paris-based industry analyst.

"It is not just the economic environment they have to contend with but the threats of civil war, terrorism and political turmoil too."

He forecast the group would now make a loss for the full year of about FFr50m ($8.53m) before exceptional items.

Club Med blamed the downturn in business prospects on several factors. Recession in Europe had prompted severe competition and a price war between tour operators, which had cut profit margins.

Some important destinations had to be closed, and others suffered a sharp reduction in bookings. A holiday village in Israel, near the Lebanese border, was closed temporarily as a result of conflict in the region. Two resorts in Senegal had not been opened because of political unrest.

In Turkey and Egypt, two of the company's most sought-after destinations, bookings had been disappointing.

Kidnapping of western tourists in the former and terrorist attacks by Islamic fundamentalists in the latter led to a big fall in reservations.

Yesterday's warning was made in a statement to Balo, an official publication which records quarterly results of French companies.

The statement outlined the group's performance in the first half of its financial year, confirming that net profits had fallen to FFr2.15m from FFr20.3m in the same period of 1992.

Industry analysts said first-half results had been buoyed by an accounting change which extended the depreciation of group assets and had a favourable impact of about FFr49m.

The results also benefited from a strong contribution from the group's US and Asian operations, which made a pre-tax profit of about $32m during the period. But the group's activities in these regions are traditionally much stronger in the first half and are unlikely to compensate for problems in Europe, the Middle East and Africa in the second six months.

"The problem they face is that they have a high level of fixed costs and a low level of revenues," said one analyst in Paris. "This will create strong pressure on their finances in the remainder of the year."

Club Med said it would maintain its investment plans at a level "necessary to ensure clients a good level of service", but that the difficult environment meant it would have to make economies and reduce costs. But the company said that planned projects, such as a 700-bed holiday village on the Chinese island of Hainan, due to open in 1995, would not be affected.

John Ridding

Bank aids London on Ecu front

By Tracy Corrigan

THE Bank of England yesterday launched an Ecu securities settlements system, designed to improve the market's liquidity and secure London's position as an Ecu trading centre.

The Bank estimates that around 80 per cent of Ecu bond turnover is based in London. However, volume has plummeted since hopes of imminent European monetary union, with the Ecu as a single European currency, have receded.

In the second quarter of this year, Ecu bond trading volume reached the equivalent of only £157bn, nearly a 50 per cent drop from the same period last year. In addition, London lost the battle for dominance of the Ecu bond futures market to Paris.

Mr Ian Plenderleith, an associate director of the Bank, said: "The European Settlements Office (ESO) builds on a series of initiatives by the Bank to broaden the Ecu market infrastructure in London by providing real-time settlement for the professional market."

The ESO offers same-day settlement for Ecu bonds and money market instruments, with electronic bridges for transferring bonds from Euroclear and Cedel, the international bond clearing houses. They have five-day settlement, although there are proposals to reduce it to two or three days.

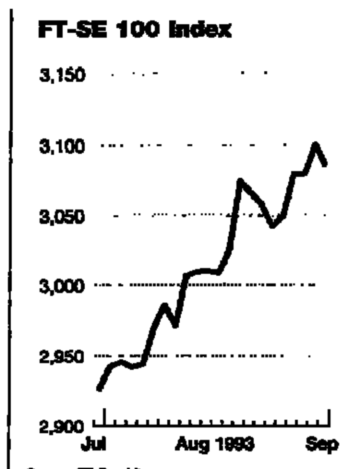
With this technology in place, based on its gilts clearing operation, the Bank could consider offering clearing services for bonds in other currencies.

Same-day settlement is also intended to aid the development of an Ecu "repo" market. A repo, or repurchase agreement to sell and then buy back bonds at a set price and time, allows traders to finance bond holdings more cheaply.

"The impact on the market will not be immediately noticeable, but it is a statement of confidence in the Ecu market," said Mr Jonathan Davies, senior bond analyst at UBS.

For many traders, Euroclear and Cedel will remain more attractive, because they settle all Eurobonds and most European government bonds, allowing traders to switch between markets. The range will soon be extended to include gilts.

"I do not really see the need for another clearing system, at a time when the Ecu market is returning to its roots as a retail bond market," one trader said.



Source: FT Graphite

FT-SE falls on gloomy statements

By Terry Byland in London

THE UK stock market yesterday turned back from last week's peak levels following discouraging trading statements from a handful of companies such as Tate & Lyle, Courtaulds and BPB.

The FT-SE 100 Index abandoned the 3,100 territory captured so triumphantly on Friday, falling 14.9 points to 3,085.1. However, equities drew some comfort in late dealings from a rally in the bond market.

Dealers noted an absence of buying support in London from the US investment funds which had been driving share prices ahead.

Goldman Sachs, the US investment bank, has advised fund managers to favour equity investment in France and Spain and on other continental European bourses.

With the Bundesbank policy *council not due to meet this* week, hopes for early cuts in interest rates in continental Europe and the UK have been put on hold, leaving the London stock market vulnerable to bad news from company boardrooms.

A reaction from last week's UK equity peaks was not unexpected and market strategists have not changed predictions for their FT-SE Index year-end targets. These range from 2,900 at SG Warburg to 3,500 at Nomura International. However, some analysts predict a downwards correction in the short term, perhaps to FT-SE 3,030 or lower.

Securities firms are taking a cautious stance while awaiting further trading reports from UK companies today. They are also aware of the likelihood of further rights issues.

London Market, Page 21

Incentive set to buy cargo equipment unit from Kone

By Christopher Brown-Humes in Stockholm

INCENTIVE, the Swedish industrial group controlled by the Wallenberg family, is set to become the world's leading supplier of shipboard cargo handling equipment after agreeing to buy MacGregor-Navire from Kone, the Finnish elevators group.

The acquisition will strengthen the position of Incentive's materials handling company, Hägglunds Marine, and create a unit with annual sales of more than SKr2bn ($245m). Payment is in the region of SKr500m, although exact details are not being disclosed.

Hägglunds is the world's leading supplier of shipboard cranes. Acquiring MacGregor will expand its product range to include hatch covers, marine elevators, roll-on, roll-off equipment and cargo lashing equipment.

It will have a market share of between 50 and 60 per cent, according to Mr Mikael Lilius, Incentive president.

Mr Lilius said: "We think it is a good time to buy as the order books of both companies are growing, and they are benefiting from the devaluation of the Finnish and Swedish currencies."

He added that MacGregor-Navire's international network of 50 offices in 24 countries would greatly enhance Hägglund's own sales and service network.

This is Incentive's most significant purchase since it gained a stock market listing after emerging from under Asea's wing in 1991. Over the last two years of rationalisation, it has raised $400m from selling businesses and cut net debt by SKr3bn as part of a strategic focus on engineering.

Kone said it was selling MacGregor-Navire to concentrate on its core elevator and crane businesses. It stressed that its marine unit, which had 1992 sales of FM889m, was profitable.

MacGregor-Navire and Hägglunds have co-operated closely over an equipment order from the US Navy for its Sealift rapid deployment unit. This is worth SKr500m, and could be worth as much as SKr1.5bn if options are exercised.

KOP sharply reduces shortfall

By Christopher Brown-Humes in Stockholm

KANSALLIS-Osake-Pankki, Finland's leading commercial bank, yesterday announced a FM768m ($130m) loss for the first seven months of 1993, a sharp reduction on losses of FM2.3bn in the 1992 period.

It said the figures showed it was on target to halve last year's FM3.7bn deficit during the full year. It is the first indication that the bank has turned the corner to better times, as its figures for the first four months of the year showed a worsening trend.

The bank is likely to have taken the unusual step of issuing January to July figures to win investor confidence for its plans to raise up to FM3bn in new capital through share and debt issues. Its capital adequacy ratio had fallen to near the 8 per cent international minimum at the end of August.

The bank is aiming to raise FM750m in new equity through an issue of up to 67m shares in the next two months, according to Reuters news agency. Around 50m shares will be offered to international investors.

It is also planning a FM875m perpetual subordinated debenture to be launched this month, which will increase its capital adequacy ratio by 0.6 percentage points.

The aim is to have a capital adequacy ratio of around 10-11 per cent by the time the bank expects to return to the black in 1995.

Simon Engineering omits pay-out

By David Blackwell in London

SIMON Engineering, UK maker of access equipment including fire rescue gear, plunged into the red in the first half, with a pre-tax loss of £52.6m ($78.2m).

It also announced yesterday it was passing its interim dividend and talking to its bankers. The group, which has breached one of its banking covenants, was confident of securing facilities through to the end of next year.

The deficit marks the culmination of more than two years of bad news from the group, which has suffered from an ill-fated diversification into environmental engineering, loss-making plant contracts, the recession and rising debts.

Mr Michael Davies, who became chairman last month, described the results as "extremely poor".

Mr Maurice Dixson, who took over as chief executive yesterday, said his main priority would be to reduce net debt to less than £100m from its current £143m. Further businesses and properties would be sold. He planned then to identify the strong remaining elements to establish a base for future profits.

The first-half loss compares with a pre-tax profit of £6.16m a year earlier when the interim dividend was 5p. Turnover fell from £242.3m to £190.8m, including £5.4m from discontinued activities.

In spite of the sale of most of the group's environmental division at the beginning of the year, net borrowings rose to £133.9m – gearing of 195 per cent – at the end of June because of increased working capital requirements, continuing poor trading and payment of the 1992 dividend.

The loss per share was 54.8p, compared with earnings per share of 3.6p. The company, which does not expect to pay a final dividend, made a transfer from reserves of £55.1m.

Lex, Page 12

Roussel Uclaf and Hoechst in shake-up

By John Ridding in Paris

ROUSSEL Uclaf of France and its parent, Hoechst of Germany, yesterday announced a reorganisation of their pharmaceuticals management and increased specialisation of drugs research within the companies.

The moves follow the sale last month of Rhône Poulenc's 35 per cent stake in Roussel Uclaf and represent part of a restructuring plan aimed at increasing efficiency and responding to increasingly competitive markets.

Under the terms of the management reorganisation, Mr Ernst-Guenter Afting, head of Hoechst's pharmaceuticals division, will become chairman of Roussel-Uclaf from January 1.

In turn, Mr Jean-Pierre Godard, a member of Roussel Uclaf's current management board, is to replace Mr Afting at Hoechst. Both cases represent the first time that foreigners have held the respective posts.

"It is something of a cultural revolution" said Roussel Uclaf, adding that the two companies were implementing a broader exchange of staff.

Mr Edouard Sakiz, Roussel Uclaf's current chairman, who will retire at the end of the year, said yesterday that the two companies would gradually reshuffle their drug specialisations. Research into antibiotics, for example, will be centred at Roussel Uclaf, while cardiovascular drugs will be centred under Hoechst's pharmaceuticals division.

A spokesman for the group said that the moves were aimed at reducing duplication, but added that both companies would continue their existing fields of research.

A broader restructuring of Hoechst and Roussel Uclaf will take place from the beginning of next year. Hoechst will transfer its French pharmaceuticals laboratories and some of its German laboratories to Roussel Uclaf. The shift should effectively equalise the turnover of the pharmaceuticals activities of the two groups.

BBL chief says recovery under way

By Andrew Hill in Brussels

BANQUE Bruxelles Lambert, one of Belgium's three biggest banks, yesterday claimed to have laid the foundations for recovery after recording net non-consolidated profits of BFr2.46bn ($69m) for the first half of the year.

Announcing the interim results yesterday, Mr Daniel Cardon de Lichtbuer, who took over as chief executive last December, said: "Fundamentally the bank that you have here is a better bank, a more solid bank than it was six months ago."

The non-consolidated profit was twice the equivalent figure of BFr1.23bn for 1992, but direct comparison is difficult because BBL has changed its year-end. The group calculated an artificial half-year equivalent from the group's 15-month figures for 1991-1992.

Consolidated profits rose from the restated six-month figure of BFr1.46bn to BFr3.06bn after tax, and BBL said it hoped to double net profit for the year.

Mr Cardon also hinted that BBL might be ready to return to a more generous dividend policy, following last year's dividend cut.

In 1992, BBL had to make extensive provisions against bad loans, which reduced net consolidated profits from BFr4.5bn in the year to the end of September 1991, to BFr3.6bn in the following 15 months.

Meanwhile, an attempt to link up with Internationale Nederlanden Groep, the Dutch financial services group, fell through. Mr Cardon was appointed following the unexpected resignation of Mr Theo Peeters, who, together with most of the BBL management, had backed the ill-fated plan for an ING bid.

Mr Cardon said an 8 per cent increase in customers' deposits in the first six months of 1993 – from BFr1,126bn to BFr1,214bn – showed that "the new BBL" had retained its credibility following the ING affair. He also pointed out that net interest income of BFr18.8bn, against BFr17.3bn, now more than covered recurring overheads.

ING retains an 11 per cent stake in BBL, but the bank has decided to pursue insurance links with two other insurer-investors, Royale Belge of Belgium and Winterthur of Switzerland.

Winterthur increased its stake in BBL to 7.2 per cent two weeks ago and Mr Cardon said yesterday that the Swiss company would continue to buy BBL shares, but "at the right moment and at the right price".

Nissan's Spanish unit plunges

By Kevin Done, Motor Industry Correspondent

NISSAN Motor Iberica, the majority-owned Spanish subsidiary of the Japanese carmaker, plunged to a pre-tax loss of Pta23,084bn ($172m) in the first half of the year from a loss of Pta2.7bn in the same period a year ago.

The heavy losses are expected to force Nissan to inject more equity capital later this year into the troubled Spanish group, in which it currently holds a 70.3 per cent stake.

Nissan injected Pta5bn in July, but the company has indicated that it may have to put in a further Pta10bn in two tranches in order to bolster the Spanish group's balance sheet.

Nissan Motor Iberica's sales volume fell by 7 per cent to 46,424 vehicles from 49,840 a year earlier, while group turnover declined by 8.2 per cent to Pta79.1bn (Pta86.3bn).

The company's finances have come under acute pressure under the impact of the sharp fall in new vehicle sales in Spain and across Europe, which has coincided with heavy capital investments by the Japanese vehicle maker in Spain in new production capacity and in the development of new models.

Nissan, which is in loss worldwide, is seeking to transform its Spanish operations from their traditional role as a maker of light and medium duty commercial vehicles chiefly for the domestic market into a producer of niche passenger vehicles – the Serena multi-purpose vehicle and the Terrano II/Ford Maverick four-wheel-drive leisure utility vehicle – to be sold across Europe.

The Terrano II was only launched in May, and overall Nissan Motor Iberica production fell in the first half of the year by 13.5 per cent to 36,007 from 41,607 in the same period a year ago.

By the end of June the workforce had been cut to 7,005 from 7,228 a year earlier.

VNU climbs despite lower advert revenue

By David Brown in Amsterdam

VNU, the largest publishing group in the Netherlands, yesterday reported a 10 per cent rise in first-half net profit from Fl 54m to Fl 59.6m ($31.6m), on sales of Fl 1.05bn, and predicted a comparable rate of increase for earnings during the second half.

The result, which has been adjusted to reflect the sale in April of its printing division, has been achieved in spite of a considerable decline in advertising revenue within its newspaper and trade press operations, a trend which is expected to worsen in the course of this year.

However, other activities, including magazines and educational publishing, distribution, electronic media and commercial television, continue to generate healthy and growing profits, VNU said.

"Provided economic circumstances do not further deteriorate," the company said, "the percentage increase in 1993 net profit and net profit per share will be of the same order of magnitude as during the first half." Net profit per share rose by 3 per cent to Fl 6.81.

Among the group's most vigorously growing activities are electronic publishing in the US where VNU is a leading supplier of on-line consumer demographic information as well as financial analysis of bourse-listed companies.

Lenzing loss worsens to Sch66m in first half

By Ian Rodger

LENZING, the world's largest viscose fibre producer, said its loss worsened in the first half, reaching Sch66m ($5.58m), compared with a loss of Sch54m in the whole of last year, due to fierce price competition in world fibre markets and heavy interest charges.

The Austrian group forecast that its full-year 1993 loss would be higher than last year's.

Sales rose 9.2 per cent to Sch4.24bn but operating profits tumbled from Sch130m to Sch48m. Lenzing said fibre sales prices were 15 per cent lower on average than in the same period of last year.

Following interest charges inflated by the group's heavy investments in pollution control systems, the pre-tax loss was Sch50m compared with a profit of Sch88m in the first half of last year.

Lenzing said it had agreed a $100m joint venture with Industrias Klabin de Papel e Celulose of Brazil to build a 120,000 tonnes a year chemical pulp mill.

The output would supply Lenzing viscose plants in the US and Indonesia.

Anglo-French packages group acquires Zeller

CARNAUDMetalBox, the Anglo-French packaging group, has acquired Zeller Plastik Group, a private German company which manufactures closures and dispensing systems for household and beauty products, writes John Ridding.

The acquisition price was not disclosed. But CarnaudMetalBox said that Zeller was profitable and achieved sales of FFr600m ($102m) last year.

CarnaudMetalBox said that Zeller's range of mechanisms to close and dispense household products would complement its packaging activities.

Seagram gains from Du Pont earnings

By Robert Gibbens in Montreal

SEAGRAM, one of the world's top drinks groups, posted a 56 per cent gain in second quarter profit mainly because its shares of earnings at Du Pont, the US chemicals giant, returned to normal after the negative accounting changes of 1992.

The drinks business met difficult conditions in many markets because of poor economic conditions "and at this point it will be difficult for the spirits and wine group in fiscal 1994 to match last year's record results," said Mr Edgar Bronfman Jr, president.

Seagram's net income for the quarter ended July was US$170m, or 46 cents a share, up from $109m, or 29 cents a share, a year earlier. For the first half, net income was $332m, or 89 cents a share, against $262m, or 70 cents a share.

Last year Seagram made significant accounting changes and included its share of a Du Pont special charge. This year Seagram received $74m in Du Pont dividends, against $72m. Its share of Du Pont's unremitted earnings was $51m against a negative $6m in 1992.

Sales from the global drinks business rose 2 per cent in the second quarter to $1.44bn. The gain was spread across sprits and wine operations and Tropicana, the fruit juice unit. Operating income was $158m against $156m, with spirits and wine up 8 per cent to $132m and Tropicana also up 8 per cent to $28m.

Mr Bronfman said spirits and wine operations benefited from timing factors, including purchases in advance of a French excise tax increase and comparison with a very slow 1992 second quarter in Germany.

Last month Seagram filed a $500m shelf offering of debt securities, raising speculation it may increase its 5.8 per cent holding in Time Warner, media and entertainment giant.

Boral makes bid for energy group

By Bruce Jacques in Sydney

BORAL, the Australian building products group, has accelerated its diversification into energy with a A$759m (US$512.8m) takeover bid for Sagasco, the South Australian petroleum group.

Announcing the bid yesterday, Mr Bruce Kean, managing director, said Boral's net earnings for the year ended June had jumped 50.6 per cent to A$228.9m on a 14 per cent rise in sales to A$4.22bn. The dividend is set to rise to 18 cents from 16 cents a share.

Mr Kean said Boral had paid A$146.8m to acquire a 19.9 per cent stake in Sagasco from the government-controlled South Australian Government Financing Authority (Safa) and would bid A$3.50 cash a share for the remainder.

The bid is substantially in excess of the A$2.70 a share offer which Santos, a rival South Australian petroleum group, made for Sagasco last year. The Santos bid failed to gain clearance from the Trade Practices Commission.

Mr Kean stressed yesterday that he had been advised that Boral would have no problem in this area.

Safa and Santos own 31.9 per cent and 19.9 per cent respectively of Sagasco. Both indicated last night that they had yet to make a decision on the bid.

Mr Lynn Arnold, premier of South Australia, said his government's eventual response would take account of the employment implications for the state.

Boral directors said yesterday they did not expect to push through any rationalisation of Sagasco should the bid succeed. The acquisition of Sagasco would mean that about one-third of Boral's gross earnings would come from energy.

Boral's earnings statement showed it spent A$500m on acquisitions and capital expenditure last year. Mr Kean said the Sagasco purchase would be funded through debt and the flotation of Sagasco's manufacturing operations.

AGL, another Australian energy group, indicated yesterday that it would be interested in some Sagasco assets if the Boral bid was successful.

Mr Len Bleasel, AGL managing director, announced a 71 per cent increase to A$70.6m in AGL's net earnings for the year ended June.

CRA bucks trend with advance to A$379m

By Bruce Jacques

CRA, the Australian mining company, has traded against the trend of falling commodity prices to increase net profit to A$379.6m (US$256.40m) from A$128.1m for the first half of 1993.

The result was achieved on a 12.2 per cent rise in sales to A$2.79bn and it is allowing CRA to double its dividend to 30 cents a share.

Directors said the result was helped by a weaker Australian dollar and higher sales volumes for iron ore. These factors more than offset the negative impact of weaker prices for aluminium, iron ore, zinc, lead and coal.

The biggest after-tax contribution came from iron ore, up at A$191.0m from A$161.0m, coal earnings jumped from A$34.5m to A$119.5m, boosted by the acquisition of Coal and Allied Industries, and profit on diamonds was A$41.4m, up from A$36.9m.

Other significant earnings contributions came from copper/gold, up from A$3m to A$34.7m, and aluminium, improving from A$12.1m to A$27.8m.

The overall result included some non-trading items, chiefly a A$37.7m surplus on the superannuation fund (compared with a A$55.4m deficit previously) and a A$91.5m positive tax adjustment.

Capital expenditure rose from A$254.4m to A$436.3m. Gross borrowings at the end of June totalled A$1.44bn, against A$1.2bn a year ago.

● Renison and Pasminco, the large Australian mining companies, report continuing losses for the June year following lower commodity prices and heavy asset write downs.

Pasminco's net loss increased to A$86.9m from A$58.6m.

Renison's net loss rose to A$24.4m from A$10.1m.

Litton wins round in $1.2bn patent infringement case

By Martin Dickson in New York

A LOS Angeles jury has awarded Litton Industries, the Californian high technology group, $1.2bn for the alleged infringement of a patent by Honeywell, the Minnesota-based controls company.

Honeywell insisted that the case was far from over, however, pointing out that the judge was continuing to hear evidence in the case.

Trading in the shares of both companies was halted on Tuesday ahead of the award announcement. Honeywell's shares fell sharply yesterday morning when trading resumed on the New York Stock Exchange. In early trading, Honeywell stood at $35⅞, down $3, while Litton rose $1¼ to $68.

The case centres on ring laser gyroscopes, a device used in aircraft navigation, which Honeywell pioneered in the 1960s.

Litton alleges that Honeywell infringed its patents, which it took out in 1979 and 1989, for a process to coat mirrors used as part of the gyroscope's measuring system.

Honeywell argues that Litton's patents are invalid and that its coating process is anyway different from that of Litton.

Mr Edward Grayson, Honeywell's general counsel, said the company was "disappointed and outraged" at the verdict, but he added that it was "only one stage of this trial and Honeywell believes it will have no independent value".

Honeywell said the presiding Judge Mariana Pfaelzer still had to consider two issues which could reduce or eliminate the jury's verdict.

These are Honeywell's argument that Litton failed to follow the correct procedures in obtaining its patents and that the reissuing of its patents in 1989 invalidated those it claimed in 1979.

Litton's lawsuit, filed in 1990, alleges that Honeywell tried to monopolise the ring laser gyroscope market, but no trial date has been set for this anti-trust portion of the case.

Honeywell has counter-sued, accusing Litton of attempted monopoly.

Burns Philp increases payout

By Bruce Jacques

BURNS Philp, the Australian food technology group, has raised its dividend to 17 cents from 15.5 cents a share following a 20 per cent increase in net earnings to A$110.1m (US$74m) for the six months ended June.

Directors said the result, achieved on a 19 per cent sales rise to A$2.68bn, reflected higher earnings in 14 of the group's 16 divisions, despite slow trading in most markets.

The company's biggest profit earner was the food and fermentation division, which lifted its net contribution from A$62.3m to A$86.6m. The hardware side improved earnings from A$22.9m to A$23.4m and investment division profit rose from A$19.1m to A$26.5m.

● Mayne Nickless, the diversified transport and security group, has reported a steep fall in profits for the year ended June. After-tax profit fell 66.6 per cent to A$58.8m on a 2 per cent slide in total operating revenue to A$2.84m. The dividend is down from 35 cents to 30 cents a share.

The result included a A$47.1m abnormal loss on write-downs at the European transport operations. In the previous year a A$77.6m abnormal profit had been taken in, mainly on the sale of shares in Amcor.

Skandia in first-half turnround

By Christopher Brown-Humes in Stockholm

SKANDIA, one of Sweden's two leading insurers, swung back into the black in the first half, due largely to rising asset values and exchange rate movements.

The group made an operating profit of SKr734m ($89.81m), against a SKr344m loss in the same period of 1992. If changes in the surplus value of assets are included, it turned a SKr636m loss into a SKr1.6bn profit.

The insurance business also showed an improving trend, with profits rising to SKr241m from SKr195m. Gross premiums rose 23 per cent to SKr21.4bn, mainly due to the weaker Swedish krona.

The group saw another strong performance from its Nordic insurance unit, Skandia Norden, where insurance profits reached SKr404m.

It is also benefiting from a decision to reduce its exposure to the non-life reinsurance sector and place increased emphasis on life insurance and savings products.

Net asset value stood at SKr13.2bn at June 30, and by mid-August had reached SKr14.2bn, said Skandia. This compares with SKr11.4bn at the end of 1992 when the group decided for the first time to scrap its dividend.

Skandia has gained a more stable ownership base after 40 per cent of its shares held by the Norwegian insurer Uni Storebrand and Hafnia, the Danish insurance group, were placed with international investors in June for SKr3.2bn.

NEWS DIGEST

Insurance loss cancels Baltica growth

BALTICA, the Danish insurance company, has swung into loss for the six months ended June running up a deficit of DKr60m ($8.734m) compared with a profit of DKr256m a year earlier, writes Hilary Barnes in Copenhagen.

Mr Hans Ejvind Hansen, chief executive, said that a 10 per cent cut in staff is planned for the next two years. Employee numbers have fallen from 3,600 to 3,324 over the past 12 months.

Baltica increased earnings from financial investments in the half year to DKr307m from DKr255m, but it made a loss on the insurance account of DKr193m compared with a profit of DKr36m last year.

The insurance loss reflected a shortfall of DKr275m on credit reinsurance, a business being discontinued. Premium income was little changed at DKr1.68bn, while claims rose to DKr1.40bn from DKr1.05bn.

East Asiatic profit

EAST Asiatic, the Danish trading company with substantial interests in south-east Asia, reports a return to profits after net financial items of DKr42m for the six months ended June, against a loss of DKr17m a year earlier.

However, the net result, after the costs of discontinued operations and income from divestments, was a loss of DKr97m compared with an DKr18m loss in 1992. The group sold several operations during the half year, notably container shipping and Plumrose food processing operations.

The disposals strengthened group finances, with net interest bearing debt falling to DKr4.30bn at end June from DKr5.95bn at end December.

Lauritzen trade fall

LAURITZEN, the shipping and shipbuilding group, made a loss of DKr73m for the six months ended June, compared with a profit in the same period last year of DKr18m. Turnover slipped to DKr6.79bn from DKr6.86bn.

Order book at the Danish shipyards and industrial companies, however, increased to DKr4.3bn from DKr3.4bn. The group warned that its results for the full year were likely to be lower than in 1992.

Daf Trucks in the black in first four months

By John Griffiths

DAF TRUCKS made a profit of Fl 1.8m ($950,000) in its first four months after being resurrected in slimmed-down form following the Dutch truck maker's financial collapse at the start of this year.

The figure was achieved after tax, interest and an allocation for development costs. The profit at operating level was Fl 6.2m, achieved on turnover of Fl 367m.

The results are roughly as forecast by the company after it was formed with the aid of Fl 451.7m in equity and loans from the Dutch and Flemish regional governments, banks and institutional investors.

They cover the period from March 2 to June 21, putting Daf Trucks in position to make a conventional second-half report for a financial year ending December 31.

The company yesterday said that it expected a "significantly higher positive result" for the whole year, with a projected turnover of Fl 1.4bn.

The results coincided with an announcement by Leyland Daf Trucks, the Dutch company's wholly-owned UK sales arm, that it had won its largest post-receivership order in the UK, for 152 trucks worth £7.5m.

EARNINGS IN THE FT

Readers of the FT's London Share Service pages will have started to notice a capital N against the names of some companies.

The N symbol means that the version of the company's earnings used in the FT's statistical calculations now follows the "headline earnings" formula devised by a subcommittee of the Institute for Investment Management and Research (IIMR) and proposed in draft form (still subject to final review) in early March.

This formula represents a broad consensus on the "single number" that should be used for UK companies' earnings under the Accounting Standards Board's Financial Reporting Standard 3.

The IIMR headline earnings formula emphasises a company's actual activities during the reporting period, including those activities which have been with the company only for part of the period. Key features are:

- All trading profits/losses are included in the earnings number. Items which are abnormal in size or nature are included but should be flagged.
- Profits and losses on the sale of fixed assets or of businesses should be excluded. This does not apply to assets acquired for resale, such as marketable securities.
- Profits and losses arising in activities discontinued at some point in the period, or in activities acquired at some point in the period, should remain in the earnings figure. Costs of eliminating a discontinued operation, or of making an acquisition, are excluded.

Further information on the FT's treatment of earnings is available from The Manager, FT Statistics, One Southwark Bridge, London SE1 9HL.

Exim boosts Euroyen sector with Y75bn offering

By Antonia Sharpe

THE EUROYEN sector of the international bond market was given a significant boost yesterday by the launch of a Y75bn Eurobond offering from the Export-Import Bank of Japan.

Bankers said that Exim's 10-year issue paved the way for other Japanese government-guaranteed entities to tap this sector of the Euromarket. In the past, the finance ministry had discouraged them from raising yen-denominated funds outside the domestic market. However, the ministry has changed its stance in recent years.

So far, the Japanese Development Bank has been the only government-guaranteed entity to issue in Euroyen. It has launched two such offerings in the past two years, and it is thought to be considering a third, of the same size and maturity as Exim's.

Exim's bonds, which carry a coupon of 4⅜ per cent, were priced to yield 25 basis points over the 10-year Japanese government bond No 157.

The yield on the issue offers a pick-up of six basis points over the World Bank's yen global bond due 2003, but is four basis points below the yield on the European Investment Bank's 10-year Euroyen issue.

INTERNATIONAL BONDS

An official at Nomura International, the lead manager, said that Exim's issue was aimed at satisfying demand from European investors for liquid Euroyen bonds. He added that the size of the offering should ensure that the bonds would remain liquid in the future.

About half of the bonds were placed in Europe, with the other half finding a home in the Middle East and Asia. When the bonds were freed to trade, they rose from their issue price of 99.73 to 99.92 bid.

Exim, which needs dollar-based funding, was also attracted to the Euroyen sector by the favourable arbitrage opportunities. The borrower is thought to have swapped the proceeds of the issue into dollars, achieving an all-in cost of 20 basis points below the London interbank offered rate (Libor).

Elsewhere, Rabobank, the triple-A rated bank, launched a L500bn zero-coupon offering, the proceeds of which were swapped into floating-rate dollars.

The market has been expecting a zero-coupon Eurolira bond for some time, but its launch was delayed by volatile swap levels, said an official at IMI Bank, the lead manager.

The bonds, which yield 8.27 per cent, were placed with institutional and retail investors in the Benelux countries, Germany and Switzerland, where the issuer has a strong following.

Two emerging-market borrowers also launched new issues yesterday. Hemaraj Land and Development, a Thai real estate company which is developing the Eastern Seaboard area south of Bangkok in collaboration with the government, raised $60m through a 10-year convertible Eurobond.

An official at the lead manager, Jardine Fleming, said that the aim of this deal, and of the three previous convertible Eurobonds from Thailand, was to widen the ownership of Thai shares.

Petrobras, Brazil's state-owned oil company, raised $200m through an offering of three-year Eurobonds. The bonds will be used to refinance the 10 per cent Eurobonds due 1996 which the issuer has called.

The bonds are due to be priced today to yield 335 basis points over the 4⅜ per cent US Treasuries of August 1996, at the top end of the indicated spread.

A fall in the three-year Treasury yield in August from 4.50 per cent to 4.18 per cent has worked in Petrobras's favour but the issuer was keen to offer a sufficiently wide spread to compensate for the decline in yields.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Petrobras	200	(a)#	(a)	Sep.1996	0.875R	(a) (4⅜%-96)	Bear Stearns Intl.
Grupo Situr	100	8.75#	99.762R	Sep.1998	1.0R	+400(4⅜%-98)	Lazard Frères
Hemaraj Land & Dev'ment(b)§	60	3.5	100	Sep.2003	2.75	-	Jardine Fleming
YEN							
Export-Import Bank of Japan	75bn	4.375	99.73R	Oct.2003	0.325R	+25 (4½%-03)	Nomura International
CANADIAN DOLLARS							
City of Quebec, Tranche A	35	6.875	102.05	Oct.1998	1.875	-	BIL, Luxembourg
City of Quebec, Tranche B	21	7.625	101.95	Oct.2003	2	-	BIL, Luxembourg
ITALIAN LIRA							
Rabobank Nederland	500bn	zero	46.426	Oct.2003	1.25	-	IMI Bank Luxembourg

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Priced today to yield 310-335bp over treasuries. b) Conversion price: Baht186. FX: 25.2Baht/$. Puttable on 9/9/98 at 116.5%. Callable, subject to 140% rule, from 9/9/96 at accreted value to yield 5.4% and from 9/9/99 at par.

Deere and Co plans 7m share flotation of common stock

By Laurie Morse in Chicago

DEERE and Company, the Illinois-based agricultural and lawn equipment manufacturer, is planning to issue 7m new shares of its common stock in an international offering late this month. Deere currently has about 77m shares of common stock outstanding.

Merrill Lynch will be lead manager in the share offering, while Goldman Sachs will be co-manager. Deere said the company had not yet determined how much of the offering would be placed overseas, and a date for the offering has yet to be set.

INTERNATIONAL EQUITY ISSUES

Proceeds of the share sale will be added to the company's general funds and will be used for working capital and other purposes, including the possible reduction of debt.

If the offering is oversubscribed, the company has the option of issuing another 15 per cent of the shares offered. Deere obtained a shelf registration to issue the shares from the Securities and Exchange Commission in July.

Deere's common stock is listed on the New York, Chicago, and Frankfurt stock exchanges.

The company reported a strong rebound in sales in the third quarter, to $2.04bn. About one-quarter of Deere's sales are outside the US.

In New York yesterday, Deere's shares were $1¼ lower at $71⅜ before the close.

● ASHTON Mining, 40 per cent owner of the Argyle diamond mine in Australia, is planning the public flotation of 40 per cent of its Canadian subsidiary, writes Robert Gibbens in Montreal.

Ashton Canada has a mandate to supervise the group's diamond exploration all over North America.

Spate of European auctions gives rise to groundswell of concern

By Peter John in London and Patrick Harverson in New York

A SPATE of European bond auctions this week was starting to give rise to a groundswell of concern yesterday as investment houses began to wonder if the climate was still ripe for issues.

With no prospect of lower rates to drive prices higher, most bond markets backed off in the face of profit-taking with the higher yielding markets, Spain and Italy, experiencing the greatest falls.

GOVERNMENT BONDS

France was also weak, as 10-year French bond yields moved above German yields for the first time since the European exchange rate mechanism bands were widened a month ago.

The Bank of France is to issue FFr18bn to FFr20bn of 10-year and 30-year bonds today. Previous French auctions have sold like hot croissants, especially the Balladur privatisation bond, which was aimed at the private investor and raised FFr110bn in July, three times its target.

However, recent issues have come within the context of rapidly falling rates.

Now that the intervention rate is stuck at 6.75 per cent, with no immediate prospects that Germany will signal a further easing by cutting its discount rate, there is a feeling that the pace of easing might be slowing. Dealers yesterday were hedging their positions against the possibility that France will today cut its five to 10-day ceiling rate from its present 10 per cent. French 8.5 per cent bonds due 2003 fell ¼ point to 116.47, due to worries about the impending auction.

■ HIGH-yielding Mediterranean countries also saw their bond markets held back by auction worries. Spain is to auction a range of three, five and 10-year paper today and some estimates put the supply at around Pta1,000bn. Spanish 10-year bonds, which have risen sharply on hopes that a wage agreement with the unions would be announced today, fell and the September futures contract closed 66 basis points lower 100.15.

Italy also slipped in early trading after disappointing short and medium-dated auctions led to nervousness over the most recent auction of 10-year paper. There was a feeling that overseas investors had had enough but domestic buyers took up the slack and shortly before the close of trading, it was announced that the L3,000bn auction was covered 1.98 times at a price of 105.90. The September BTP future closed slightly higher.

■ THE UK gilts market was strong in early trading after some encouraging purchasing data. However, the rally tailed off and the futures market hit a low of 113.17. Then buyers returned tolift the December contract – now the most actively traded futures contract, to above 114.

■ GERMAN debt prices were marginally firmer although the weekly repurchase agreement gave no signals of impending shifts in monetary policy. The 6.8 per cent repo added some liquidity to the system, sometimes a hint that policy on rates might be easing. However, yesterday's boost to bank liquidity was merely technical, reflecting the recent use of other methods of injecting cash into the system.

■ LONGER-dated US government securities edged higher yesterday morning on hopes that tomorrow's employment report for August would reveal continued weakness in domestic labour markets.

By midday, the benchmark 30-year government bond was up ⅛ at 102$\frac{7}{32}$, yielding 6.086 per cent. At the short end, the two-year note was unchanged at 100, to yield 3.858 per cent.

Traders and investors have their eyes fixed on tomorrow's employment figures and the news within the National Association of Purchasing Management's report that employment declined last month raised expectations that the jobs data will be bullish for bonds.

The long end was also helped by overseas demand. News that July personal income fell 0.2 per cent and personal spending rose 0.4 per cent had little impact on sentiment.

FT FIXED INTEREST INDICES

	Sep 1	Aug 31	Aug 27	Aug 26	Aug 25	Year ago	High *	Low *
Govt Secs (UK)	102.56	102.49	102.16	101.45	101.63	87.68	102.56	93.28
Fixed Interest	125.20	124.51	124.03	123.80	123.96	103.40	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 31	Aug 27	Aug 26	Aug 25	Aug 24
Gilt Edged Bargains	175.2	91.5	87.8	97.6	93.2
5-Day average	109.0	92.5	92.6	95.4	98.0

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.9179	+0.317	6.60	6.95	6.85
BELGIUM		9.000	03/03	112.7500	-0.150	7.11	7.11	7.06
CANADA *		7.500	12/03	105.4400	+0.155	6.75	6.88	7.12
DENMARK		8.000	05/03	109.5000	-0.070	6.64	6.77	6.72
FRANCE	BTAN	8.000	05/98	109.4105	-0.139	5.64	5.71	5.69
	OAT	8.500	04/03	116.4700	-0.230	6.17	6.26	6.47
GERMANY		6.500	07/03	102.5950	+0.260	6.14	6.27	6.51
ITALY		11.500	03/03	112.8150	-0.005	9.65†	9.85	10.78
JAPAN	No 119	4.800	06/99	105.7854	+0.125	3.60	3.79	3.81
	No 157	4.500	06/03	103.1214	+0.539	4.05	4.24	4.10
NETHERLANDS		7.000	02/03	106.6700	+0.100	6.04	6.15	6.31
SPAIN		10.300	06/02	107.8500	-0.375	8.95	9.15	9.84
UK GILTS		7.250	03/98	103-28	+3/32	6.26	6.33	6.52
		8.000	06/03	108-14	-2/32	6.80	6.96	7.32
		9.000	10/08	116-21	+1/32	7.17	7.36	7.75
US TREASURY *		5.750	08/03	102-10	+8/32	5.44	5.52	5.85
		6.250	08/23	102-09	+13/32	6.08	6.19	6.58
ECU (French Govt)		8.000	04/03	109.5500	-0.100	6.62	6.77	7.30

London closing *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Mediterranean markets top performance charts

By Peter John

MEDITERRANEAN government debt markets topped international bond performance charts for August, reflecting expectations that high interest rates in Spain and Italy will continue to fall.

Italy showed the strongest performance in local currency terms for the third month in a row, with a gain of 5.54 per cent last month, according to J. P. Morgan's government bond index monitor.

Spain, which has seen 10-year bond yields slashed by a third since last October, came in with a market return of 4.35 per cent in August as investors bought on the expectation that the Spanish government would manage to hammer out a wage agreement with the unions.

"In Spain, bond prices rose, shrugging off disappointment that key interest rates were not reduced rapidly once the peseta's ERM bands had been widened," says J. P. Morgan.

Investors continue to believe that the trend in interest rate and inflation is downwards, whatever the setbacks and delays prompted by the refusal of Germany to reduce its key discount rate.

Overseas buyers have pledged their faith in the UK, particularly in the belief that the economy offers the double benefit of growth with low inflation. Gilts were the third strongest performing debt market, with a local currency return of 3.58 per cent.

At the other end of the European scale, Germany's resolve to maintain firm rates in the face of high money supply was behind a return of 1.55 per cent. And Belgium languished at the bottom of the table of principal international bond markets. It provided a return of only 0.61 per cent as investors remained concerned about the central bank's commitment to pegging rates at German levels in spite of the high level of Belgian public debt.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on September 1

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 6½ 03	1000	102¾	103⅛		6.11	Arbed 7½ 95 LFr	600	99¾	100¼		7.63
AlbertaProvince 9⅜ 95	600	110	110⅜	-⅛	4.39	Genfinance Lux 9⅛ 99 LFr	1000	107¼	110½		7.48
[illegible]						[illegible]					

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

* No information available - previous day's price
† Only one market maker supplied a price

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	8	51	21
Other Fixed Interest	7	7	1
Commercial, Industrial	218	388	815
Financial & Property	103	276	441
Oil & Gas	17	21	43
Plantations	0	1	7
Mines	35	45	53
Others	61	32	30
Totals	449	821	1,411

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	102	96	Anglian Water Wts	99	-2	-	-	-	-
120	F.P.	-	147	125	Balsynchik	139		-	-	-	-
†150	P.P.	-	188½	150	British Telecom (P/Paid)	185	+1	N15.6	1.4	4.4	21.0
90	F.P.	-	98	85	Crockfords	95		W5.2	2.3	6.8	7.5
100	F.P.	-	102	97½	EFM Small Co's. Tst.	99½	-½	-	-	-	-
-	F.P.	-	58	52	Do. Warrants	54		-	-	-	-
-	F.P.	-	5	3½	‡Exploration A	4¼	-¼	-	-	-	-
-	F.P.	-	156	149	Finsbury Smllr. Co's. C	156		-	-	-	-
65	F.P.	-	82	75	Flying Flowers	82		R01.3	3.2	1.6	19.6
-	F.P.	-	70	67	For & Col Special Inc	68½	-½	-	-	-	-
-	F.P.	-	46	42	Do Capital	41½	-½	-	-	-	-
-	F.P.	-	116	109	Do Units	112	-2	-	-	-	-
100	F.P.	-	113	101	Lazard High Inc Tst	109	-2	-	-	-	-
-	F.P.	-	68	52	Martin Currie Pac Wts	63	-1	-	-	-	-
-	F.P.	-	30	18	Raglan Warrants	30		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	112½p	103p	Asprey 8¼pc Cm Pf	112½p	
100	F.P.	-	109½	105	Costa Vassila 8¼pc Cv Bds 2003	109½	
-	F.P.	-	114	112	Ex-Lands 7¾pc Cv Ln 2029	112	
100	F.P.	-	106⅞	98¼	Greenalls 7pc Cv Bds 2003	106½	-⅛
-	F.P.	-	108½	104½	Natl. Power 6¼pc Cv Bds 2008	106¼	-¼
-	F.P.	-	113¾	107¾	Marling 8½pc Cv Bds 2008	113⅞	+⅛
-	F.P.	-	110	107	Wilson 6¼pc Bds	110	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
10	Nil	27/9	5¼pm	1pm	Business Technology	5¼pm	+1¼
90	Nil	12/10	8½pm	7pm	Crockfords	7pm	
75	Nil	3/9	21pm	3pm	Cussins Property	21pm	+1
125	Nil	22/9	30pm	30pm	Lilleshall	30pm	
165	Nil	28/9	26pm	18pm	Sedgwick	19pm	-3
10½	Nil	27/9	1½pm	¼pm	‡Villers	¾pm	
1	Nil	4/10	½pm	¼pm	‡Wilton	½pm	

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

● First Dealings Aug. 23
● Last Dealings Sept. 10
● Last Declarations Nov. 25
● For settlement Dec. 6

3-month call rate indications are shown in Saturday editions.

Calls: Aspen Comms., Babcock, Bellwinch, BTR and Shell. Puts: Babcock. Puts & Calls: Babcock and Burton.

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. All rights reserved.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. © The Financial Times Limited 1993. All rights reserved.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 Indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	600	41	53	61½	8½	21½	26
[illegible]							

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero	420	46	64½	73	25½	38	48
[illegible]							

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Eurotunnel	460	27	57	-	7½	26	-
[illegible]							

Option		Calls Oct	Calls Feb	Calls May	Puts Oct	Puts Feb	Puts May
Grand Met (*455)	420	44	53½	59	4	13½	17
	460	16½	28½	35½	16	31	35
Ladbroke (*200)	200	10½	17½	20½	13½	18½	25½
	220	4	10½	12½	28½	32	38½
Utd Biscuits (*385)	360	34½	45½	46	7	15	23½
	390	15	28	31½	21½	29½	38½

Option		Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
Fisons (*176)	160	23½	29½	30½	3	7	11
	180	9½	14	19½	11	16½	21

Option							
Amstrad (*33)	30	4½	6	7½	1	2½	3
	35	1½	3½	5	3	5	5½
Barclays (*498)	460	42½	55½	65	1	7	14½
	500	8	28½	39	9	22	31½
Blue Circle (*264)	260	10½	19½	27½	5	17	22
	280	2½	11	18½	19	29½	33
British Gas (*331)	330	6	14½	22	4	16	19½
	360	1	5	10½	30	37½	39
Dixons (*226)	220	11½	22½	28½	4½	13	18½
	240	3	13½	19½	17½	24	28

FT-SE INDEX (*3107) CALLS and PUTS: [illegible]

PUTS									
Sep	1	2½	5½	13	29	59	105	155	
Oct	7½	11	19	30½	50	77½	112	155	
Nov	14	21	32	48½	68½	92½	123	161	
Dec	22	31	42½	58	77½	102	131	167	
Jun †	64½	-	95½	-	132	-	184	-	

September 1 Total Contracts
Calls 10,816 Puts 10,604
FT-SE Index Calls 2,584 Puts 5,519
Euro FT-SE Calls 1,020 Puts 1,020
*Underlying security price. † Long dated expiry mths.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed Sep 1	Day's change %	Tue Aug 31	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.90	+0.02	128.86	1.67	7.91
2	5-15 years (23)	156.17	-0.05	156.49	1.59	9.39
3	Over 15 years (9)	176.06	-0.10	176.23	1.37	8.55
4	Irredeemables (6)	205.68	+0.02	205.99	2.25	6.83
5	All stocks (62)	151.60	-0.04	151.74	1.69	8.83
	Index-Linked					
6	Up to 5 years (2)	187.09	-0.05	187.20	0.49	3.47
7	Over 5 years (11)	181.86	-0.14	182.12	0.83	3.42
8	All stocks (13)	181.52	-0.13	181.76	0.79	3.41
9	Debs & Loans (65)	144.39	-0.13	144.58	2.16	7.62

AVERAGE GROSS REDEMPTION YIELDS

			Wed Sep 1	Tue Aug 31	Year ago (approx.)
	British Government				
1	Low	5 years	6.33	6.33	9.04
2	Coupons	15 years	7.01	7.00	9.05
3	(0%-7¾%)	20 years	7.15	7.14	9.05
4	Medium	5 years	6.46	6.46	9.74
5	Coupons	15 years	7.16	7.15	9.31
6	(8%-10¾%)	20 years	7.26	7.24	9.21
7	High	5 years	6.65	6.65	9.98
8	Coupons	15 years	7.40	7.38	9.55
9	(11%-)	20 years	7.42	7.40	9.41
10	Irredeemables (Flat Yield)		7.36	7.35	9.26
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.52	2.49	4.65
12	Inflation rate 5%	Over 5 yrs.	3.25	3.24	4.70
13	Inflation rate 10%	Up to 5 yrs.	1.73	1.70	3.89
14	Inflation rate 10%	Over 5 yrs.	3.08	3.06	4.52
15	Debs &	5 years	7.72	7.83	11.04
16	Loans	15 years	8.06	8.03	10.70
17		25 years	8.20	8.19	10.57

Offshoot sale behind advance at Persimmon

By Catherine Milton

INCREASED purchases by housing associations helped lift unit sales at Persimmon, the York-based housebuilder, by 30 per cent to 1,462 in the half year to June 30 1993.

However, lower average selling prices and margins held back profits.

Pre-tax profits advanced from £7.25m to £9.72m helped by a £2.36m profit on the sale of a non-trading subsidiary with surplus advance corporation tax and lower interest charges of £1.32m, compared with £1.98m.

At the operating level profits came out lower at £8.68m, against £9.23m.

Mr Duncan Davidson, chairman, said: "House prices are starting to move. There is a stronger secondhand market. Confidence and fear of unemployment are still holding back the housing market."

Turnover increased to £85.4m (£71.5m). The company said 300 of its total sales were to housing associations at an average selling price of about £45,000, compared with £65,000 for each speculative house sale. Operating margins fell to 10.2 per cent, against 12.9 per cent.

The landbank stood at a stable 13,350 units with planning consent. Persimmon also owns, or has options on, 2,700 acres for which it is seeking planning permission.

Mr Mike Allen, deputy chairman, said the company was reducing expensive incentives: "Part exchange sales are costing us less than they did six or seven months ago. Last year each sale cost £5,500 compared with £1,500 in 1988."

Trevor Humphries

Duncan Davidson: fear of unemployment still holding back sales

At the end of the period borrowings were £23m giving gearing of 16 per cent.

The interim dividend is maintained at 2.8p. Earnings per share were 7.6p (5.2p).

● COMMENT

Shares in Persimmon yesterday closed up 5p at 289p indicating some caution over the ripeness of the profits. Better sales volume and headline pre-tax profits have more to do with windfall gains than a good climate for housing. The government's cash injection of £750m which lifted sales to housing associations is unlikely to be repeated. But the company could realise a further £4.5m by 1995 from ACT-related disposals. Exceptional gains apart, sales completed or in the pipeline since mid-year already match the total for the first half and on higher margins. As land prices improve, the company should benefit from its long landbank. However, Persimmon owns only two thirds of its landbank with the remainder held in joint ventures, a form of off-balance sheet financing which proposed accounting rules could shortly outlaw. The company's own calculations are that this would almost double gearing. Stripping out exceptional gains, forecasts are for full-year pre-tax profits of £16.5m, giving earnings up to 12.4p. A prospective p/e of 25 is average for a sound builder but investors are paying more for others in the sector offering more sparkling prospects.

Martin Taylor prepares his departure with a strong second half recovery in prospect

Courtaulds Textiles slips to £13.7m

By Roland Rudd

FOR A man who appears to get most things right Mr Martin Taylor's timing does not look good.

The chief executive and chairman of Courtaulds Textiles yesterday announced a 16.5 per cent fall in pre-tax profits to £13.7m for the half year to end-June.

The company is expected to recover strongly over the next six months, but by then Mr Taylor will have already moved on to his new job as chief executive of Barclays.

At the mere mention of his departure Mr Taylor tries to anticipate the follow-up question. "Am I sorry that I am leaving Courtaulds? Yes, it is earlier than I would have liked. But do I think it is reckless? No, the company is in great shape."

If Mr Taylor's timing is in doubt his natural ability for public relations is not.

His ability to charm shareholders, analysts and journalists alike partly explains his success at Courtaulds. A big feature of his tenure at the company has been its ability to generate cash.

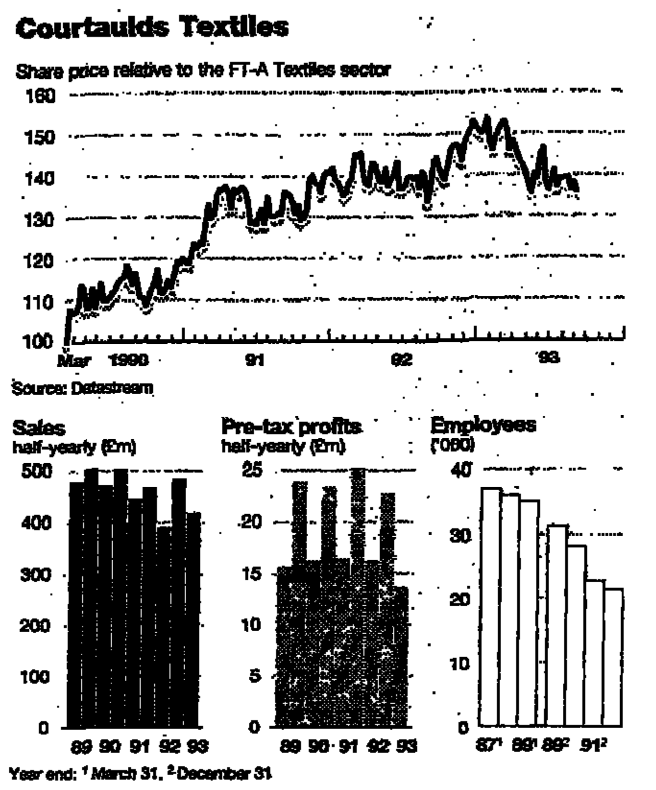
When it was demerged three years ago it had borrowings of more than £70m. After reducing net debt in 1991 by £39m, a further reduction of £33m was achieved last year. By the year end the company will effectively be ungeared.

However, the price has been high. He has closed 20 out of the company's 23 UK spinning mills, axing thousands of jobs. The City was delighted. But there are still critics who believe he contributed to the decimation of the British textiles industry.

Perhaps the most extraordinary thing about his tenure at Courtaulds is that there was never a bigger row over his rationalisation programme.

"I could never understand", says one textile analyst, "why there was not an uproar among the trade unions or in the press when Mr Taylor wielded the knife." By way of an explanation Mr Taylor says he has always believed in the personal touch. "It is much harder to be nasty about someone if you have met them first".

Internally, Mr Taylor did away with hierarchies. He once told a merchant banker: "I cannot manage without talking to everyone". Externally, he did much the same. An analyst who talked somewhat critically to one of Courtaulds' institutional shareholders remembers being surprised to receive a call from Mr Taylor the next day inviting him for lunch.



Having got through the difficult period of rationalisation, Mr Taylor can take satisfaction that he all but eliminated borrowings during one of the worst recessions.

He has not, however, been able to achieve the same results with the profit and loss account, which is one of the reasons why he would have preferred the Barclays job to have come up later.

After stripping out the effects of lower interest receivable because of the fall in UK interest rates and the decline in the contribution from the pension fund surplus the profits and earnings per share were broadly flat. "Not a particularly beautiful set of results", explains Mr Taylor. Analysts are forecasting full year pre-tax profits of about £45m.

Mr Taylor is careful not to make too many predictions about the future. He says the last thing he wants to do is leave his successor, Mr Noel Jervis, with albatrosses around his neck.

But in the longer-term Mr Taylor is bullish about the group's prospects.

"If the trends had not been in the right direction I would not have raised the dividend by almost 7 per cent", he says. He also believes he has left the company in a good position to make further acquisitions.

If Courtaulds' future profits match expectations further praise will probably be lavished on Mr Taylor. If profits are disappointing it will be Mr Jervis who will be forced to give an explanation.

Perhaps Mr Taylor's timing is good after all.

See Lex

Rank sells eight more hotels

By Michael Skapinker, Leisure Industries Correspondent

THE RANK Organisation has sold eight provincial hotels to the privately-owned Macdonald Hotels group.

Rank would not reveal the price paid, but it is thought to be about £26m.

Of the 22 hotels put up for sale in April 1992, Rank has now sold 14. It has since decided to retain the Alvaston Hall hotel in Nantwich, Cheshire, as part of its Warner holiday business.

The group said it was talking to prospective buyers of the remaining hotels, which include the Royal Garden and Royal Lancaster hotels in London.

Mr Angus Chrichton-Miller, managing director of Rank's hotels division, expected the remaining seven hotels to be sold by next April.

Among the hotels sold yesterday were the Last Drop in Bolton and the Tickled Trout, near Preston.

Wickes calls for £58m

By Catherine Milton

WICKES, the DIY and timber retailer which came close to collapse two years ago, yesterday announced a £58.1m rights issue to fund an aggressive programme of expansion, including doubling the number of its UK stores to 150.

The money will initially be used to reduce borrowings, which were a net £70.6m at the halfway stage in June, giving gearing of 88 per cent.

Mr Henry Sweetbaum, chairman, said: "The group's level of debt has been a constraint on its ability to expand.

"As a result of the rights issue, Wickes will have the financial resources to take advantage of the attractive opportunities currently available at this stage of the economic cycle."

The 2-for-9 issue of 67.9m new shares at 88p each is fully underwritten by SG Warburg and SG Warburg Securities is the broker.

In the current year the company plans to open 18 stores at an average cost of £600,000.

Mr Sweetbaum said the company had taken over the leases on about six or seven sites of the loss-making Do It All chain, which is a joint venture between WH Smith and Boots, and a similar number from Texas, part of Ladbrokes.

Wickes is also planning further expansion of the 36 stores in Belgium, France and the Netherlands, as well as accelerating the expansion of Builders Mate, the discount builders merchant.

Mr Sweetbaum believes that the DIY market in the UK is not yet "saturated."

He thought the market could "easily support" 150 Wickes stores, compared with the current 77.

There was also room for more than 200 Builders Mate stores.

● COMMENT

Tactical, if a little tactless, was the verdict on Wickes' latest call on its investors and the shares closed down 4p at 102p. Wickes only returned to the dividend list two weeks ago after a two-year absence while management tackled its disastrous foray into the timber market. Rights issues funded both the foray and the subsequent rescue. Not surprisingly, the market wonders how management will cope with the strain of the ambitious programme at home and abroad. Against this, the funds will go to Wickes' core stores business, which has been profitable throughout the recession, and the new trade business, Builders Mate, which is breaking even. Pre-tax profit forecasts have been revised upwards by £1m to about £19m, but show earnings diluted at 4.2p (4.3p) and a fairly demanding multiple of 24.

Cray bid values P-E at £16.24m

By Paul Taylor

CRAY Electronics Holdings, the data communications and software systems group, yesterday launched a recommended all-share offer for P-E International which values the management and computer consultancy group – one of Europe's oldest – at about £16.24m.

The planned acquisition will represent a further significant expansion of Cray's existing computer services business and highlight the continuing process of reshaping under way in the computer services and management consultancy sectors in the face of mounting competition.

The deal also represents Cray's second sizeable acquisition in 12 months. The Berkshire-based group, which operates through three divisions, acquired the Dowty information technology division from TI for £50m in August last year.

Cray is offering one new share for every two P-E shares valuing the group at 74¼p per share.

Yesterday P-E shares closed up 10p at 75p while Cray, which was reported to be active in the market picking up at least one institutional shareholder's entire holding, closed 1p lower at 148p.

The company has received irrevocable undertakings to accept the offer from P-E's directors and its largest shareholder, the Merchant Navy Officers Pension Fund, who together hold about 16 per cent of the issued share capital.

If completed the deal will double the size of Cray's systems division which comprised 19 per cent of continuing group turnover last year and create a combined business with annual revenues of about £70m.

Mr Roger Holland, Cray's chairman, said, "the acquisition of P-E will consolidate Cray's computer systems and software products business as a major participant in its markets and enable it to provide a wider range of software products from a more efficient base".

Mr Holland said he had first approached P-E about a merger two years ago, but at that stage his advances were firmly rejected.

For P-E, which yesterday also announced a £396,000 pre-tax loss (£515,000 profit) on turnover of £34.2m (£35.3m) for the six months to June 30, the deal represents an opportunity to tie-up with a financially strong partner.

P-E, which omitted its final dividend last year after profits tumbled to just over the break-even level and is also omitting its interim dividend, has been struggling to cut costs and reorganise its management while also investing in new business areas over the past 15 months since Mr George Cox stepped in as chairman.

Although he acknowledged that P-E might have needed to tap the market for additional funds to continue with its reorganisation and expand into new business areas, he firmly rejected suggestions that the deal represented a "rescue".

Hanson spells out cost of US strike

By Maggie Urry

THE US coal miners strike affecting some of Hanson's US coal mines could cut the Anglo-American conglomerate's profits by between £60m and £80m in the fourth quarter of its current financial year which ends this month. The cost would continue at a similar rate as long as the strike continues at its current intensity, it emerged yesterday.

The forecast appeared in a letter to shareholders of Quantum Chemical Corporation, the US group which has agreed to a bid from Hanson worth \$3.3bn (£2.22bn), including the assumption of \$2.5m of debt.

The letter calls for a special meeting of Quantum shareholders for September 30 (Hanson's year end) to vote on the merger. The vote requires a two thirds majority of shares in issue.

In the letter Hanson said the strike, which had hit 20 of its Peabody subsidiary's 22 mines and facilities, had cut profits by £29m in the third quarter of its year.

It said talks between the coal operators association and the union had recommenced on August 11, but there was no guarantee that these would lead to an agreement by any particular date.

The letter also shows that if Quantum accepts a higher offer from another bidder it would have to pay Hanson a \$50m fee. This could deter other potential buyers, the letter said.

Further, it says that nine officers of Quantum would share a lump sum payment of \$18.7m if the merger goes through. An option scheme would be worth \$11.9m to Quantum's executive officers and \$1.64m to its non-employee directors.

In the letter Quantum, which makes polyethylene and other chemicals, gives a forecast of operating profits for 1993 to 1997, although warning that the numbers could vary materially.

The profit projection shows operating profits of \$105.3m in 1993 rising to \$546m by 1997, with net income moving from a loss of \$102m in 1993 to a profit of \$186.1m in 1997.

The projection is based on forecasts of polyethylene volumes and prices, annual cost savings rising to \$66m in 1997, and other factors including the receipt of a \$32.1m insurance claim by the end of 1993.

Hanson's shares fell 2¼p to 257¼p yesterday, although it has risen from 222¼p since June 30 when the merger with Quantum was announced.

Multitrust net asset value rises to 48.6p

Net asset value per share of Multitrust increased from 33.2p to 48.6p over the 12 months to June 30. At end-December 1992 the value was 35.25p.

For the year to end-June basic earnings per share were 2.17p (1.5p) and available revenue increased from £65,124 to £93,972.

The proposed final dividend of 1.2p makes a 2.7p (2.5p) total.

Mr Andrew Perloff, chairman, said that having seen the increased value that could be attributed to a company by an acquisition, he would be "forced to consider any serious proposals that appeared to be capable of giving significant added value to all shareholders".

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- American Trust, Aran Energy, Ashley Group, Bowater, British-Borneo, Burmah Castrol, Ladbroke, Latin American Inv Trust, Microvitec, Northern Engineering, PCT, Pearson, Psion, Reckitt & Colman, Rolls-Royce, Vickers, Yorkshire Food.

Final- Isotron.

FUTURE DATES

Interims-

Albany Inv Trust	Sep 8
Emess	Sep 14
Finlay (James)	Sep 14
Hewitt	Sep 14
Lambert Howarth	Sep 15
London & Manchester	Sep 27
MTL Instruments	Sep 21
Matthews (Bernard)	Sep 15
OIS Intnl Inspection	Sep 15
Peramba	Sep 16
Whatman	Sep 16

Finals-

Baillie Gifford Japan	Sep 28
British Data Management	Sep 14
Phoenix Timber	Sep 6
Willis	Sep 6

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Calderburn	int	2.8	Oct 26	2.8	-	7.7
Courtaulds Text	int	4.7	Oct 29	4.4	-	13.6
Dixon Motors §	int	0.75	Nov 9	-	-	-
Henlys	int	1.5	Oct 25	1	-	3
Instem §	int	1.3	Nov 26	1.3	-	3.1
Invergordon	int	2.9	Oct 8	2.8	-	7
IoM Steam Packet	int	3.5☆	Sept 27	3	-	10
Johnston Press	int	2.5	Nov 11	2.25	-	6.25
Linton Park	int	2.5	Nov 16	2.5	-	14
Osprey Comms	int	0.1†	Sept 30	0.65	-	0.65
Page (Michael)	int	0.6	-	0.6	-	1.8
P-E Intl	int	nil	-	1	-	1
Persimmon	int	2.8†	Oct 18	2.8	-	8.6
Plantsbrook	int	1.1	Nov 15	1	-	3
Provident Fin	int	4.75	Nov 4	3.7	-	11.4
Senior Eng	int	1.26	Nov 30	1.2	-	3.15
Serco	int	5.3	Oct 21	4.5	-	14
Silvermines	int	nil	-	1♣	-	1
Simon Eng	int	nil	-	5	-	5

Dividends shown pence per share net except where otherwise stated. ☆ Gross. †On increased capital. §USM stock. ♣Irish currency.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.11	20.66	24.49
0100	18.09	18.67	22.53
0130	18.09	38.67	43.32
0200	18.09	28.00	28.00
0230	18.09	28.00	28.00
0300	18.09	28.00	28.00
0330	18.09	28.00	28.00
0400	18.09	28.00	28.00
0430	18.09	28.00	28.00
0500	18.09	28.00	28.00
0530	20.15	32.00	32.00
0600	18.07	33.00	33.00
0630	19.36	33.00	33.00
0700	20.30	32.00	32.00
0730	25.30	48.70	53.61
0800	24.71	48.70	53.72
0830	25.37	24.25	28.08
0900	26.43	25.61	29.37
0930	29.34	26.93	30.73
1000	29.14	27.77	31.59
1030	30.76	27.77	31.59
1100	30.76	27.77	31.59
1130	30.83	27.77	31.59
1200	35.27	27.77	31.58
1230	35.16	27.77	31.58
1300	34.99	27.89	31.68
1330	27.66	27.89	31.65
1400	27.56	27.89	31.66
1430	26.58	26.09	29.80
1500	26.58	27.89	31.68
1530	26.57	27.89	31.66
1600	26.07	27.89	31.65
1630	33.76	32.00	35.90
1700	33.78	33.00	36.89
1730	33.77	33.00	36.83
1800	33.73	33.00	36.80
1830	26.30	24.83	28.50
1900	24.94	24.25	27.81
1930	24.94	23.79	27.47
2000	24.95	22.22	25.92
2030	35.58	22.22	25.94
2100	35.58	22.22	25.94
2130	35.57	36.00	40.10
2200	35.57	36.00	40.03
2230	24.16	36.00	40.14
2300	23.56	23.00	26.74
2330	22.07	21.47	25.25
2400	20.85	21.47	25.34

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.85/MWh becomes 1.685p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alteration) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456780 between 8:30am and 5:15pm Monday to Friday.

Overstocking and weak demand hits mature whisky prices

Invergordon declines to £11m

By Philip Rawstorne

AFTER nearly a decade of uninterrupted growth, Invergordon Distillers, the independent Scotch whisky producer, reported a 23 per cent decline in first half pre-tax profits, from £14.6m to £11.3m.

Mr Chris Greig, managing director, said the result reflected a fall of 10-15 per cent in the price of mature whisky because of weak demand and overstocking in the industry.

"There are indications, including lower stocks of grain whisky, that trading conditions have stabilised," he said. "Although we do not expect to match 1992's profit in the full year, we believe that the impact has been taken in the first half."

Earnings per share in the six months to June 30 dropped to 6p (7.7p) but the interim dividend goes up to 2.9p (2.8p).

Operating profit was 27 per cent lower at £11.8m on turnover down 8 per cent to £36.8m. Gross margins were reduced from 53.6 per cent to 48.9 per cent, their level in 1990.

In the UK turnover increased from £22.4m to £23.1m because of the resilience of the own-label supermarket sector.

Overall volumes were maintained at the record levels achieved in the first half of 1992. A 3 per cent reduction in Scotch was offset by increased volumes of gin and vodka. Bottled-in-Scotland whisky volumes were 17 per cent ahead.

Total production was reduced by 4 per cent. Though the grain distillery continued to operate at more than 90 per cent capacity, output of malt whisky was cut by 21 per cent and the company's four distilleries were operating at 50 per cent capacity.

● **COMMENT**

Invergordon's own stocks of lower-cost mature whisky and the resilience of its supermarket customers have enabled it to weather adverse trading conditions longer than most others in the industry. It has also made good use of the three years since flotation to strengthen its balance sheet; doubling net assets to £64m, and reducing borrowings from £46m to £22m, and gearing from 143 per cent to 35 per cent. Market pressures have now begun to take their toll, however. Analysts have cut their forecasts of full year profits to about £27m compared to last year's £32.5m and recovery is not expected before 1995. Whyte & Mackay, which holds a 41 per cent stake, can afford to wait and watch the effects on the share price before renewing its bid, but the prospects of securing it for a bargain price seem slim. The shares lost 9p to close at 286p yesterday, still above the 275p offered by W&M two years ago.

Charges deepen Osprey losses

By Don Farrell

AFTER CHARGING a £3.49m loss on discontinued operations Osprey Communications incurred a pre-tax deficit of £4.25m in the 12 months ended May 31.

The period is part of the new accounting year, which now ends on September 30. In the comparative period the loss was £336,000 after exceptionals of £355,000.

During the period the group, which provides advertising and associated services, sold the marketing services division to management for £2.1m, bought SMS Communications for £1.63m in cash and shares, and raised £1.3m net via a rights issue.

On completion of those transactions Mr John French resigned as chairman and chief executive and was succeeded by Mr Jack Rubins.

The new chairman said yesterday that negotiations were in hand for the disposal of Rayner Holdings and Acute-Marketing and Communications, two of the small regional subsidiaries, to their managements.

Provision had been made for the release of goodwill in the accounts.

Mr Rubins said despite the greater than expected trading loss – £384,000 from turnover of £21.9m – the balance sheet had been substantially enhanced by the disposals and rights issue. At May 31 a pro forma statement showed net assets of £636,000 – in the balance sheet there were negative assets of £950,000.

The group was profitable in June and July, with the performance of SMS being "particularly encouraging". Mr Rubins said the group was beginning to make progress.

Losses per share were 28.6p (2.03p) of which exceptionals accounted for 24.95p. To preserve trustee status an interim dividend of 0.1p is declared.

Expanded Johnston Press rises to £6m

By Katrina Lowe

CONTINUING tight cost controls and the contribution from acquisitions helped Johnston Press increase interim pre-tax profits by 24 per cent to £6.02m in a difficult market.

The increase from the previous £4.85m was achieved on sales up 23 per cent to £41.5m (£33.7m) in the six months to June 30.

The Edinburgh-based newspaper publishing group is raising the interim dividend by 0.25p to 2.5p on earnings per share of 12.9p (11.6p).

The share price added 5p yesterday to 578p.

Mr Fred Johnston, executive chairman, said that in the newspaper publishing division, TR Beckett recorded an encouraging performance in its first full half-year within the group.

The West Sussex County Times achieved a significant profits increase, aided by the Worthing Guardian, acquired at the end of 1992.

The printing market continued to suffer from recession and Wood Westworth at St Helens and Yorkshire Communication Group at Wakefield suffered losses. Both operations are under review.

At the end of the half-year the cash balance had risen to £5.37m.

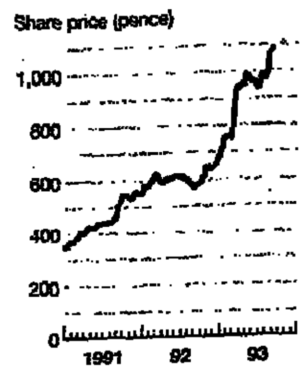
Government programme boosts Serco to £4.35m

By Andrew Bolger

SERCO, the facilities and project management company, said the growing momentum of the government's programme of putting services out to contract would help to maintain its record of profits growth.

Pre-tax profits increased 28 per cent to £4.35m in the six months to June 30 on turnover of £82.3m, up 27 per cent. The shares, which have enjoyed a strong run recently, rose a further 5p to £10.90p.

Serco Group



Source: FT Graphite

Mr George Gray, chairman, said the government's market testing programme had afforded excellent business opportunities in the first six months of the year and would lead to an increasing number of bid opportunities.

Serco said its profits increase was due to substantial organic growth in businesses both owned by and associated with the company, together with a strong six-months contribution from International Aeradi Limited, the civil aviation specialist acquired from BT for £12.3m in April 1992.

The civil aviation services market continued to develop well, with new contracts including consultancy work in central and eastern Europe. The company is now operating the Scatsta air terminal in Shetland for BP Exploration's Sullom Voe terminal.

In July Serco paid £3.5m for BM Scotland, part of the the Property Services Agency, the government body responsible for property management. The company said this deal brought a further 278 contracts with existing government customers, which considerably strengthened its core business.

Mr Richard White, managing director, said the successful rationalisation and integration of IAL boded well for the future of BM Scotland, which would enhance Serco's position in the Scottish market.

The engineering services side, relating to the provision of automatic test systems, had also been boosted by the award of a contract, worth £40m over five years, to tests the avionics of the Royal Navy's Merlin EH101 helicopter.

On the international side, the group won a share of the management contract for Diego Garcia, the US naval base in the Indian Ocean. Serco was awarded 20 per cent of the contract, worth $160m (£108m) over seven years.

Mr Gray said: "The outlook for the remainder of 1993 remains good, based on firm business and the securing of new contracts both with current and new customers. The group's cashflow remains strong."

The interim dividend goes up 18 per cent to 5.3p (4.5p), payable from earnings per share ahead 29 per cent to 22.5p (17.4p).

Silvermines mounts sharp turnround

By Jean Marshall

SILVERMINES, the Dublin-based electrical and property group, announced a turnround in the six months to June 30 from losses of I£479,000 to pre-tax profits of I£251,000 (£235,000). There were losses of I£3.23m for 1992 as a whole.

The result was achieved on reduced turnover of I£12.3m (I£20.8m).

Mr Bob Morton, chairman, said the policy of tight control over costs and overheads was enabling the group to trade more profitably. He added that the anticipated improvement from the electrical division was being realised. Norcroft Dynamics had been added to that division in June and other acquisition opportunities were under review.

There was also an improvement in property profits arising from upward rent reviews and lower interest charges. The directors have decided to dispose of all the group's investment properties and financial investments when market conditions permitted.

Earnings per share were 0.32p (2.13p losses). There is no interim dividend (1p). But the directors are seeking approval to reduce the share premium account to eliminate the deficit on reserves and allow the resumption of dividends.

Calderburn falls as forecast but sees upturn

Calderburn, the office furniture group, reported pre-tax profits of £1.41m for the first half of 1993, a 36 per cent fall on the comparable £2.21m.

The company said the fall had been expected. Mr James Blyth Currie, chairman, said that the market had continued to decline in the first half but there were now signs of a recovery.

Turnover fell 13 per cent to £12.9m (£14.9m). Earnings per share came out at 3.6p (5.7p) but the interim dividend is maintained at 2.8p.

The company is spending up to £4m on the rationalisation of production facilities and the concentration of all furniture output.

IoM Steam rises 56% to £1.91m

THE ISLE of Man Steam Packet Company is considering a reduction of passenger services to the island in response to plans by the Isle of Man government to build new facilities in Douglas harbour which would be open to competitors.

However, Mr Juan Kelly, chairman, reported along with the interim results that talks were taking place with the government. He said the company was willing to guarantee a level of services similar to the present in return for a degree of protection from competition.

In the six months to end-June pre-tax profits for the company, in which Sea Containers controls 41.97 per cent, advanced 56 per cent to £1.91m (£1.23m) on turnover ahead 5 per cent at £11.9m (£11.3m).

The result was helped by the lack of exceptional items against £145,000 last time.

Earnings per share were 10.8p (7.1p) and the interim dividend is raised from 3p to 3.5p gross.

The comparative figures have been restated to take account of a change in accounting policy towards overhaul expenditure.

IN BRIEF

ETHICAL Holdings, has acquired fellow pharmaceuticals group, Gacell Holdings, based in Malmo, Sweden. The Swedish company develops and licenses products based on a proprietary oral controlled-release technology trademarked Multipor.

SCR-SIBELCO, the private Belgian company engaged in a hostile bid for Watts Blake Bearne, the world's largest ball clay producer, has declared its 420p offer final. The offer, in cash or loan notes, will not be increased and remains open until September 7.

Instem shares lose 19p on halfway drop to £410,000

By Don Farrell

PRE-TAX PROFITS of Instem, the USM-quoted electronics and information systems group, fell from £551,000 to £410,000 in the six months ended July 32.

The shares dropped 19p to 142p.

However, the directors were encouraged by a record order intake. On balance, the performance was in line with their plans for the period.

The business segments concerned with electricity transmission and distribution, power generation and nuclear fuel processing moved forward broadly in line with plans.

Also the performance of the electronics manufacturing operation recovered, in part due to the result of increased business from the merger of the mining equipment business of Dobson Park Industries with Meco International.

Datatox F1 software product did not achieve satisfactory performance in a number of site trials. That resulted in management changes and a delay in the next release to early 1994.

Turnover rose from £7.06m to £9.5m. Interest charges were £11,000 (£3,000 received). Earnings per share were 6.01p (7.96p) but the interim is held at 1.3p.

Dixon Motors ahead of projections with £0.62m

By John Murrell

DIXON MOTORS, the Hull-based motor retailer which joined the USM via a reversal into Plateau Mining earlier this year, returned pro forma pre-tax profits of £642,000 for the half year ended June 30.

The figure was ahead of the directors' expectations and came on turnover of £29m, up from £20.4m.

They said the advance reflected an improved performance in all areas of the business, with total car sales for the period ahead by 62 per cent at 3,449 units.

The group's year-end has been changed to December 31. Consolidated results for the nine months ended June 30 showed profits at £77,000.

The directors said these figures were not particularly meaningful and comprised nine months contribution from Plateau and five weeks from Dixon.

As forecast, an interim dividend of 0.75p is being paid subject to High Court approval of a capital restructuring.

The second half of the year had started well, with July and August ahead of management projections. The group is to raise about £1.69m of additional working capital via an issue of new ordinary shares.

Plateau Mining was formerly a natural resources group which had been fighting a hostile bid.

Linton Park doubles to £4.3m on higher tea prices

LINTON PARK, the diversified tea coffee and fruit producer and food trader ultimately controlled by Lawrie Group, reported pre-tax profits of £4.32m for the six months to June 30.

The outcome, achieved after reduced interest charges of £684,000 (£1.05m) was a "significant improvement" on the comparable £2.17m, according to Mr Keith FitzGerald, chairman.

He said the improvement reflected better tea prices and increased production on the group's Kenyan estates which have now recovered from the drought early in 1992.

In Malawi, however, the rains came too late to have a material impact on the current year.

Turnover on continuing operations, taking Kakuzi, a long-time associate, as a subsidiary from March 1, amounted to £62m (£58.7m).

The interim dividend is maintained at 2.5p, payable from earnings of 13p (6.4p) per share.

Anglo Pacific returns to the black

In the first half of 1993 Anglo Pacific Resources, the mineral exploration and coal producing group, returned to profitability with £119,000 pre-tax.

That compared with losses of £147,000 in 1992, which had increased to £670,000 by that year-end.

Turnover rose from £948,000 to £1.83m. Earnings per share were 0.15p (losses 0.19p).

Operating results at Fife Silica Sands and Anglo Tulloch Minerals showed considerable improvement. Initial royalty contributions were received from the Gordonstone coal project; the income should increase considerably in the second half as production rises to planned levels.

The group is entitled to royalties on a significant portion of the coal to be produced from the Crinum undergroundmine. Production should commence towards the end of 1994 with a planned capacity of 2.5m tonnes a year in 1996.

English & Overseas recovery

ENGLISH & Overseas Properties returned pre-tax profits amounting to £12,000 for the six months ended June 30 1993.

This compared with losses of £438,000 last time after an exceptional debit of £659,000.

Turnover of the company, which provides development, project and asset management services, doubled to £1.52m (£792,000).

Mr Jim Clark, chairman and chief executive, stated that market conditions in the first half of the current year had shown an improvement "for the first time in three years".

During the period the company acquired a portfolio of small investment properties - a new strategy for the company - and secured lettings on all but 5 per cent of available space.

Mr Clark stated that a number of acquisitions had been considered but the directors had been unable to agree terms which had been acceptable to the company.

He added that he was hopeful "we will be able to undertake a transaction in the near future which will enable the company to make a quantum step forward with a return to acceptable levels of profitability in the medium term".

Earnings per share were 0.05p, compared with losses of 1.88p.

COMPANY NEWS: UK AND IRELAND

Strong US performance helps Senior to £11.4m

By Andrew Bolger

A STRONG performance in the US helped Senior Engineering Group, the tubing, ductwork and thermal engineering company, increase pre-tax profits by 14 per cent to £11.4m in the six months to June 30.

Sales rose by 26 per cent to £181.4m. For the first time North America accounted for more than half of group operating profits, which improved 19 per cent to £11.8m.

Mr Don McFarlane, chairman, said this performance had been achieved in spite of continuing poor conditions in the UK, which accounted for only 40 per cent of operating profits during the period – down from 60 per cent a year ago.

He said: "The group's order book is very healthy, particularly in the US, which should ensure that the year's result will demonstrate a period of very satisfactory progress. There are some signs of the long awaited recovery in the UK and as this develops we should see further benefits for the group".

Mr John Bell, chief executive, said he was delighted with the performance of Flexonics, the US manufacturer of flexible hose and expansion joints, which the group bought for $40m in February last year.

Mr Bell added that Flexonics was now a leading supplier of flexible couplings to the US and British automotive industry and was winning more orders from Japanese and European car makers.

A greenfield development for Flexonics Automotive in Wales will begin trading in the second half of the year.

Engineered products accounted for 46 per cent of group sales, up from 42 per cent. The depressed construction services division was responsible for 17 (20) per cent of sales.

The thermal engineering division's contribution was steady at 37 per cent of sales, against 38 per cent, with substantial growth in the US offsetting reduced activity in the UK.

Earnings per share rose to 3.33p (3.07p). The interim dividend is lifted 5 per cent to 1.26p (1.2p).

● **COMMENT**

Senior's exit from the mining equipment industry and the closure of its large power contracting business look well-timed, even if FRS 3 meant that the full-year results for 1992 took a knock. These figures highlight another good piece of timing by the group - its purchase and then heavy investment in Flexonics, which has given it a strong and growing position in the automotive industry. With gearing standing at a comfortable 26 per cent, Senior is likely to increase its Flexonics presence in Germany by acquisition. Forecast full-year profits of £23m put the shares, up 3p to 119½p, on a prospective multiple of 18. That is not unreasonable for a company which has weathered the recession better than most other engineering stocks.

Buoyant car sales put Henlys £3.22m back in the black

By Paul Taylor

BUOYANT car sales, particularly to fleet buyers, lower interest costs and a turnround in the bus and coach building business helped Henlys Group bounce back into profit in the first half.

Henlys, which fought off a hostile takeover bid from its rival T Cowie last year, achieved £3.22m pre-tax in the six months to June 30. Losses of £898,000 a year ago were after reorganisation costs of £950,000.

Earnings per share were 6.6p (losses 2.7p) and the interim dividend is lifted 50 per cent to 1.5p.

Based on the continuing high level of activity in both the motor division and coach manufacturing and sales division the board said it also intended recommending a 50 per cent increase in the final dividend to 3p.

Turnover increased by 13 per cent to £188.2m (£166.5m) led by a 20 per cent gain in the motor division where turnover rose to £154.5m (£128.8m).

Operating profits in the motor division, jumped by 17.7 per cent to £3.83m as the group outpaced the market with a 24 per cent increase in new car sales – including a 34 per cent gain in fleet sales – and a good performance in service and after-sales activities.

The coach manufacturing and sales division managed to turn a £1.02m operating loss into a £438,000 profit despite a decline in turnover to £33.7m (£37.6m).

Group profits were also boosted by lower interest costs of £1.33m (£2.35m) reflecting lower interest rates and a reduction in borrowings which stood at £23.9m at the end of June, down £6m, representing gearing of 51 per cent.

The shares gained 11p to close at 233p.

● **COMMENT**

Shareholders who backed Henlys during last year's takeover battle have been rewarded. Based on current share prices they are now 35 per cent better off than they would have been accepting the Cowie offer. By targeting fleet buyers Henlys' new car sales are running well ahead of the underlying market growth of 9 per cent. Meanwhile, the struggling bus and coach business appears to have finally turned the corner. Production will be about 25 per cent higher in 1993 and is expected to rise again next year. Analysts were upgrading their profit forecasts yesterday and, based on cautious estimates, the group should achieve pre-tax profits of about £6.1m this year, equivalent to earnings of 12.6p per share, and is trading on a prospective p/e of 18.6.

Revamped Plantsbrook shows 21% expansion to £5.96m

By David Blackwell

PLANTSBROOK, the funeral services group which has undergone extensive reorganisation, boosted interim pre-tax profits by 21 per cent, from £4.91m to £5.96m.

Mr Peter Hindley, chief executive, attributed the rise to continued emphasis on client care and service, stringent cost controls and tight management.

"Our market share remains stable and we are optimistic that our recent acquisitions and new sites will enhance our overall performance", he said.

The group has just under 9 per cent of the UK funeral market, and reported turnover just ahead at £26.3m (£26.2m).

Dignity in Destiny, the previously loss-making pre-paid funeral scheme, was now contributing to profits, said Mr Hindley.

In the past 18 months the group had reduced costs by closing 80 branches.

During the first half it acquired three businesses for £1.8m and opened five new branches, taking the total to 330.

Net interest payable fell to £334,000 (£1.3m).

Gearing, which reached 415 per cent two years ago, had been reduced to 28 per cent compared with 75 per cent a year earlier.

The group, which raised £10.5m through a rights issue in March last year, made a £2m placement in December and a further £2m placement in May.

Mr Hindley said the group had repaid £3.6m of hire purchase debt at 10 per cent on its vehicles, and reduced its debtors by £1m in the period.

Fully diluted earnings per share were 3.83p (4.31p). The interim dividend is raised to 1.1p (1p).

Mr James Brown and Mr Graham Barber, both operational directors, were yesterday appointed to the board.

Provident doubles to £21.9m

By John Gapper
Banking Editor

PROVIDENT Financial, the consumer credit and insurance company, nearly doubled pre-tax profits in the first half of the year helped by a modest rise in demand for loans among its niche market of poorer customers.

Provident, which sold its banking operations last year and has stopped retail merchandising linked to consumer credit, raised profits to £21.9m, against £11.6m, reduced by £1.21m from the reported figure as a result of FRS 3.

It raised its interim dividend from 3.7p to 4.75p from earnings per share of 11.05p, against 6.05p adjusted for the 5-for-2 share split.

The home collected credit division, which makes cash loans with repayments collected weekly by agents paid by commission, increased its £400m loan book by 9 per cent, a third through higher demand and two thirds by adding new customers.

The company managed to convert 100,000 customers of its retail merchandising operations to weekly collected credit. The level of provisions against bad debt rose by 4 per cent, although Provident does not disclose provisions figure.

Mr John van Kuffeler, chief executive, said its customers appeared to be "feeling slightly more confident about the economic conditions".

The group has also added to the numbers by promotions through its network of agents.

Mr van Kuffeler said that about half the 44 per cent rise in home collected credit profits had come through cutting costs. It had reduced branches from 360 to 277 over the year, and was experimenting with branchless operations.

The insurance division, which comprises its Halifax Insurance motor business and Colonnade Insurance Brokers, increased profits to £5.3m. Halifax moved from a £400,000 loss to £3.9m profit, helped by a large growth in policyholders.

Mr van Kuffeler said that policies had risen from 400,000 at the year end to 540,000 by the end of June. He said that this growth was likely to level off in the second half after strong promotion of the business in the first half.

The shares rose 9p at 452p.

● **COMMENT**

Provident has reaped gains from the focusing of the business and stringent cost-cutting. It can expect full-year earnings of 30p per share, giving a prospective multiple of about 15. That seems demanding in the long term unless it finds a means of sustaining earnings. It may be able to eke some more from its income streams, but cost-cutting will eventually run its course. That suggests an acquisition in the insurance field, in which case much will depend how much it pays. There is a little more in the shares, but not a huge amount.

Waterford Wedgwood at I£0.4m

By Tim Coone in Dublin

WATERFORD Wedgwood yesterday reported its first interim profit in six years as the long and painful rationalisation of its luxury crystal business in Ireland began finally to bear fruit.

For the six months to end-June the group swung from losses of I£5.8m to profits of I£400,000 (£374,000) at the pre-tax level.

Since 1987 the group, created by the merger of the Wedgwood fine china and Waterford crystal businesses, has suffered accumulated losses in the region of I£85m.

First half turnover rose just 3.7 per cent to I£135.4m. The group said profit growth had been achieved "through cost reduction rather than volume growth".

The Waterford crystal division reported operating profits of I£1.6m against a previous deficit of I£3.3m.

In January this year trade unions representing the 1,600 workforce at the Waterford Crystal division agreed to a rescue plan involving 200 voluntary redundancies, pay cuts of up to 25 per cent, and a three-year no-strike agreement.

Waterford's sales in the first half rose 24 per cent to I£38.7m, largely a result of growing success with the new outsourced Marquis range of crystalware in a more buoyant US market, as well as a 150-strong new product range introduced in the company's Classic range of crystalware.

Mr Paddy Galvin, chief executive of Waterford, said: "We are much stronger now than we were a year ago, with improved volumes and increased market share.

"An operating profit of I£1.6m is still not enough though and there are further non-labour cost savings we are working on".

He said that the Marquis range, which is aimed at the middle-income sector of the market, "has carved out its own place in the sun. There was concern that it might cannibalise the upper end of the market but this has not happened. There has been growth in both markets with sales in Marquis well up on last year".

The Wedgwood fine china division had a particularly tough year, with sales down 2.6 per cent to I£96.7m.

Mr Kneale Ashwell, the division's chairman and chief executive, said the Japanese market had suffered through a downturn in consumer spending "but we are doing better, not only than our competitors in picking up market share, but better than the luxury goods sector as a whole".

He said that rationalisation measures begun last year "should be largely complete by the year end".

Like the crystal division, he said Wedgwood was also "now looking at worldwide outsourcing of new products", which are not currently manufactured by the company but which will be introduced under the Wedgwood brand name.

Mr Richard Barnes, group chief financial officer, said that although net debt had grown to I£72.6m (I£63m) this was largely due to exchange rate fluctuations, and should return to about I£60m by year end.

He said no exceptional items were anticipated in the current year's results, and that "on existing capacity-demand relationships no further rationalisations should be necessary".

Earnings per share were 0.02p (losses of 0.91p).

Chinese selling sends tin prices to 20-year lows

By Kenneth Gooding, Mining Correspondent

CHINESE TIN exports were creating havoc in western tin markets, analysts suggested yesterday, after the metal's price dropped to fresh 20-year lows on the London Metal Exchange.

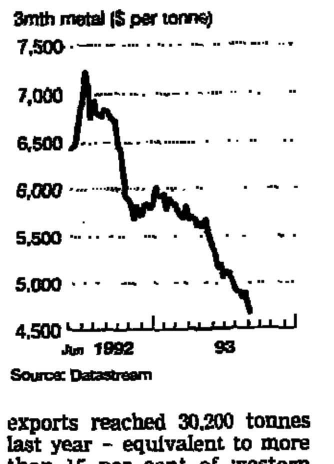
At one point the three months delivery tin price touched $4,660 a tonne, well below the western world average cost of production, following an overnight fall to its lowest-ever price in the Far East. At the LME close last night the price was down $50 at $4,677.50 a tonne.

The surge in Chinese exports has almost completely nullified attempts by the Association of Tin Producing Countries to bring some stability back to the market by fixing export quotas.

Mr Fidelis Madavo, analyst at the Commodities Research Unit consultancy group, pointed out that, according to official statistics, China's tin exports reached 30,200 tonnes last year - equivalent to more than 15 per cent of western world demand. Exports continued at record levels in the first half of this year, jumping by 20 per cent from the 1991 level to 15,000 tonnes.

Tin price

3mth metal ($ per tonne)



Source: Datastream

Therefore, despite substantial cuts in output by other tin producing countries, the market was likely to show only a small supply deficit this year, he said. Consumers were living from hand to mouth and waiting for prices to drift even lower because there was so much metal available.

The ATPC estimates that world-wide tin stocks are between 38,000 and 40,000 tonnes or about 11 weeks of consumption.

Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, said: "The prospects for tin remain decidedly uninspiring for the near to medium term. Production looks set to fall still further this year but the still-huge stock overhang and poor demand outlook will ensure that the fundamental outlook for this market will remain bleak".

Billiton forecasts that western tin production this year will fall by 5 per cent from an already-depressed 142,000 tonnes in 1992 to 135,000 tonnes, while demand will be down by 2 per cent from 178,000 to 174,000 tonnes.

Copper's day of reckoning deferred

By Kenneth Gooding, Mining Correspondent

A POTENTIALLY critical time in the London Metal Exchange's copper market - when September traded options were declared - passed quietly yesterday but traders suggested that a looming technical "squeeze" had been rolled forward to the October/December period.

"There is still the potential for mayhem in the market," said Mr Wiktor Bielski, analyst at Bain and Company, part of the Deutsche Bank group. "All the big players [involved in the squeeze] appear to have rolled their options positions into October, and some into December. And these situations tend not to unwind themselves without doing some damage to some players."

The LME board has voiced its concern about possible manipulation of its "flagship" copper market to boost the price by twice giving warnings that it has the authority to take any necessary action to maintain an orderly market.

The situation is reminiscent of the technical squeeze in December, 1991, which resulted in the LME board taking the unprecedented step of limiting the backwardation (premium for metal for immediate delivery) to £25 a tonne a day - until recently LME copper was quoted in sterling.

Last night the backwardation was $35.50 a tonne with cash metal closing at $1,971 a tonne, down 50 cents, while three-month metal was down $3 at $1,935.50.

Unusual activity has kept the copper market in turmoil for much of this year. The price fell by one quarter in only five weeks, culminating in a 5½-year low of $1,705 a tonne in May. Several LME trading houses suffered huge losses because of that collapse.

Traders suggest that Sumitomo, the Japanese group which is one of the world's biggest traders in physical copper, now controls most of the available LME copper stocks via option activity, even though stocks are at their highest level for 15 years. But Mr Yasuo Hamanaka, the senior manager responsible for Sumitomo's copper trading operations, has denied any manipulation is going on. He said the acute supply tightness was highly technical and could be traced to the sharp fall in prices in May from which there had to be some reaction.

LCE may relaunch raw sugar contract

By Deborah Hargreaves

THE LONDON Commodity Exchange board will discuss the reintroduction of raw sugar futures tomorrow following calls from some traders for a product to replace the contract that was withdrawn in April.

The exchange's sugar futures market committee met yesterday to discuss the possible launch of a new contract, which would be designed to trade at a premium over New York's raw sugar futures .

Support for listing raw sugar futures in London has increased following a dispute in the New York market over the delivery of Brazilian crystal sugar as raw sugar. The Coffee, Sugar and Cocoa Exchange decided to allow crystal sugar to be delivered although many traders do not consider it to be raw sugar.

"A lot of people in London would love to see another raw sugar contract, but it would take a great deal of push to convince the rest of the world to use it," said Mr Chris Pack, sugar analyst at C. Czarnikow, the London trade house.

Some traders fear that the LCE has lost the initiative by de-listing its previous raw futures contract and that a new one will be hard to get off the ground.

But by cashing in on disaffection in the New York market, the LCE could garner international support for the new product. The previous raw futures contract was withdrawn after it failed to make the transition back from screen to floor trading and volume steadily dropped off.

Chile in two minds over copper projects

David Pilling reports on differing official attitudes to a pair of 'world class' mines

NOTHING BETTER illustrates the tough decisions facing Codelco, Chile's huge state-owned copper corporation, than the contrasting fortunes of its two most prestigious development projects. While foreign companies are falling over themselves to invest in El Abra mine, potentially the sixth largest in the world, plans for Radomiro Tomic, which is at least as big, have been indefinitely shelved.

The difference between the two mines is one of status. El Abra is considered a *new* project, allowing Codelco, under legislation passed last year, to develop it as a joint venture with foreign companies. Radomiro Tomic, on the other hand, which lies close to the world's largest copper mine, Chuquicamata, is classified as a *replacement* mine, and as such is disqualified from joint-venture development, leaving Codelco with the problem of finding the estimated $450m start-up cost. The chances of this happening soon were severely dented in May when the finance ministry, which directly controls Codelco's investment budget, refused to grant sufficient funds.

Today, while executives attached to Radomiro Tomic twiddle their thumbs, those involved in El Abra are frantically preparing bids in time for the 20 September deadline. "El Abra has become Codelco's great hope now that Radomiro Tomic has been snatched away," says Mr Jason Webb, a Santiago-based mining journalist.

There are 17 companies, including most of the big multinationals, competing for the prize, which executives describe as the biggest copper mine for sale in the world. The winner will take a 51 per cent stake in the project and is expected to invest about $450m.

A pre-feasibility study carried out by Codelco found at least 500m tonnes of oxide reserves and estimated annual production at around 120,000 tonnes of copper cathodes over 20 years. Recently, the idea has been floated of doubling the annual production and halving the mine's life, a strategy that would involve a heftier initial investment.

Codelco, which intends to award the contract within two months of receiving bids, hopes to start production by 1998. Once companies have been judged technically proficient the contract will go to the highest bidder, according to Mr Jorge Bande, Codelco's vice president for development.

Mr Colin Sinclair, general manager of the Chilean division of Australia's North Broken Hill Peko - which is bidding for the contract in partnership with local Sociedad Minera Pudahuel - believes that Codelco will benefit considerably from joint ventures of this type, in terms of both the financial muscle and the technical knowledge brought in by the private sector. "The point of the joint venture is to get the copper industry moving again, to get them back in the big league for which they need foreign expertise," says Mr Sinclair.

Mr Bande agrees that private-sector participation has an important role to play in Codelco's future. "The joint venture [in El Abra] will enable us to develop a major project which had been sleeping in Codelco's hands owing to our financial restrictions," he says. Working alongside an established foreign mining company "can only enrich our experience and knowhow".

Apart from El Abra, Codelco is negotiating exploration joint ventures for six of its mining prospects and, according to Mr Bande, expects to open negotiations for further joint ventures over the next few months. Foreign interest remains high. "Chile is elephant country," says Mr Sinclair referring to the quality and quantity of Chile's copper mines. "If you want to find an elephant, this is where you come."

But, for the moment at least, one elephant, Radomiro Tomic, is safe from the hunter's gun. The government's decision to withhold start-up funds - seen by observers as a political, not a financial, decision - means that the mine, described by officials as "world class", cannot leave the drawing board.

It is understood that the government's refusal to authorise funds for Radomiro Tomic stemmed from an unwillingness to pour money into new projects until Codelco, which is far less efficient than its private-sector counterparts, has demonstrated greater success in tightening its flabby operations.

The administration's stalling tactics have triggered a debate about the possible restructuring of Codelco to enable it to develop new mines. One proposal was to break it up into autonomous divisions which would be allowed to raise start-up capital as they saw fit. Another idea was to let Codelco sell off its non-core businesses, such as the Tocopilla power station, raising cash which could be reinvested in new operations.

Such proposals, seen by many as a form of privatisation by stealth, have met stiff opposition from Codelco's strong unions and from politicians sensitive to public opinion. Not even former President Augusto Pinochet dared to privatise Codelco, which is viewed as a symbol of national pride.

Any immediate change in direction seems increasingly less likely as December's presidential elections draw nearer. Even more improbable is fresh legislation to extend joint-venture status to replacement mines such as Radomiro Tomic.

In spite of the contrasting fates of El Abra and Radomiro Tomic, Mr Bande insists that joint ventures are not necessarily the only way forward. "The ideal way to develop Codelco in the long term is to combine its wholly-owned projects with those in which it has a joint venture partner," he says. The two strategies "are not contradictory, but complementary".

Observers say it is vital that Radomiro Tomic should not be "permanently paralysed" and that a decision is taken as quickly as possible. According to one commentator: "For every day lost, the project loses a little bit more of its economic value".

Minera Escondida, owner of the giant Escondida copper mine in Chile, is confident that the mine's proven ore reserves will double in the next year to more than 1.3bn tonnes, according to its president, Mr John Hannah, reports Reuter from Melbourne.

Mr Hannah said yesterday he expected drilling near the mine to prove enough reserves to maintain its life at about 52 years in spite of a US$276m programme now under way to lift annual output.

Escondida, the world's third largest copper mine, is owned by Broken Hill Proprietary of Australia (57.5 per cent), RTZ Corporation of the UK (30 per cent), JECO, the Japanese smelter consortium, (10 per cent) and the International Finance Corporation (2.5 per cent).

Mr Hannah estimated that the production boost would cut the mine's original life of 52 years by about half if no new reserves were found. "In a general way, our objective is to maintain a mine life of that order," he said after addressing a conference on South American mining.

But he was confident that drilling, which has started on the Colorado Grande mountain near Escondida, would prove more of the 1.8bn tonnes resource, which is graded 1.6 per cent copper.

Proven reserves at Escondida were now about 665m tonnes graded at 2.1 per cent copper, he said, and results of the new drillings were expected to be known some time next year.

He earlier told the conference that annual output at Escondida would be expanded to 400,000 tonnes of refined copper a year by September this year from 340,000 in the year to May 31, and then to 480,000 tonnes by September 1994.

Mr Hannah declined to comment on a study forecasting that Escondida's annual output would rise to 618,000 tonnes by the year 2000. The study was conducted by three officials of Codelco, the state-owned copper corporation.

US dairymen turn against marketing board

By Nancy Dunne in Washington

US DAIRY farmers, fighting a rearguard action against the introduction of bovine somatotropin (BST), a genetically engineered hormone that increases milk production, have turned their wrath on another target: the National Dairy Board, which promotes the sale of the sector's products.

A Dairy Board drive to "educate" the US public about the safe use of BST infuriated whole groups of American producers. Already concerned that they were not getting sufficient returns from the $75m they were paying the board each year, they launched an angry campaign to "Dump the Dairy Board".

After receiving a 16,000-signature petition from dairy farmers across the country, Mr Mike Espy, the US Agriculture Secretary, called a referendum on the Board's future for August 16. The result will be known some time this month.

The Dairy Board was proposed by congress in 1983 and approved in a national referendum of dairy farmers. Producers pay a 15 cent assessment on every hundred-weight of milk sold - one-third funds the board's activities and two-thirds goes to regional and state dairy associations.

According to the Economic Research Service in the US Agriculture Department, advertising activities conducted by the board for the eight years of the programme increased fluid milk sales by about 4.3 per cent over expected sales

The results have been less impressive for cheese. Sales increased by an average 2.4 per cent over expectations, despite an estimated $288m poured into advertising.

"We all felt the National Dairy Board was squandering money on poorly designed advertising campaigns and excessive salaries," says Mr Francis Goodman, one of the leaders of the opposition. "It wasn't providing farmers with better income."

A board official says, however, that executive salaries are consistent with other salaries in farm trade associations. These can run well into the six figures.

Mr Goodman sees the attack on the board as another skirmish in a war for control of agriculture. Individual farmers have long been losing control of their programmes to agribusiness and large corporate interests.

Milk co-operatives, formed to help farmers get higher prices for their milk, are now viewed by many dairymen as part of agribusiness and opposed to the higher prices the producers need to survive. They have launched a court battle against a USDA ruling that allows co-operatives to vote on behalf of their members. Eight-six co-operatives announced that they would cast 70,866 votes - nearly half of the eligible voters.

Fuel shortage may halt Kazakh harvest

KAZAKHSTAN MAY have to halt this year's harvest campaign because of severe fuel shortages, the Itar-Tass news agency quoted the deputy head of Kaznefteprodukt state oil company as saying, reports Reuter from Moscow.

Mr Igor Medvedev, an official at the Russian energy ministry confirmed that big Russian oil companies had refused to send oil to Kazakhstan because of debts of about Rbs87bn (£60m).

Kazakhstan expects a grain harvest of about 30m tonnes this year, down from last year's record 32m. The republic had harvested 5.76m tonnes of grain by August 27, up from 5.16m a year earlier.

WORLD COMMODITIES PRICES

MARKET REPORT

London robusta **COFFEE** futures fought their way back into the plus column by the close of trading yesterday after sustaining another sharp decline in the morning. The November position slipped to $1,245 a tonne at on stage, repeating Tuesday's $20 fall, before ending at $1,263, up $2 on the day. The rally was attributed to a steadier performance in the New York arabica market and continuing concern about availability of good quality beans for immediate delivery. The latter factor was reflected in the widening of the September/November premium by $7 to $75 a tonne. **COCOA** prices also ended off the lows, but still down on the day. Stronger sterling was putting pressure on the market as the December position fell to £824 a tonne. Later the price rallied to £829 a tonne, down £3 on the day. At the London Metal Exchange the three months delivery **ZINC** price slid below the $890-a-tonne mark on speculative selling, but then held relatively stable. It closed $2.25 down at $887.25 a tonne. The **GOLD** price failed to hold yesterday's move above $370 a troy ounce, closing in London at $369.75 an ounce, down $1.55 on the day.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$14.58-4.62u	-0.12
Brent Blend (dated)	$16.54-6.56	-0.17
Brent Blend (Oct)	$16.82-6.84	-0.17
W.T.I (1 pm est)	$17.99-8.01u	-.215

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$191-193	-1
Gas Oil	$162-163	-2
Heavy Fuel Oil	$62-63	+0.5
Naphtha	$157-158	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$369.75	-1.55
Silver (per troy oz)♣	481.00c	-1.50
Platinum (per troy oz)	$380.50	-3.5
Palladium (per troy oz)	$123.50	-2.25
Copper (US Producer)	91.00c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	12.00m	
Tin (New York)	214.5c	-2.5
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	127.56p	-1.14*
Sheep (live weight)†♠	84.34p	-1.05*
Pigs (live weight)†	70.50p	+2.45*
London daily sugar (raw)	$241.60	-5.70
London daily sugar (white)	$263.00	-10.50
Tate and Lyle export price	$272.00	-3.50
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	Unq	
Wheat (US Dark Northern)	£168.5u	
Rubber (Oct)♥	61.50p	+0.25
Rubber (Nov)♥	62.00p	
Rubber (KL RSS No 1 Jul)	212.5m	+2.0
Coconut oil (Philippines)§	$435.0v	-12.5
Palm Oil (Malaysian)§	$357.5	
Copra (Philippines)§	$290.0	+1.0
Soyabeans (US)	£196.0	+1.0
Cotton "A" index	55.00c	+0.10
Wooltops (64s Super)	330p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Sep v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Sep ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR - LCE ($ per tonne)

White	Close	Previous	High/Low
Oct	264.20	266.10	268.80 263.50
Dec	257.00	257.00	258.60 256.20
Mar	259.50	259.90	264.00 258.80
May	262.00	262.40	266.00 262.00
Aug	267.50	268.10	268.00 267.50
Oct	258.70	259.50	258.70

White 1455 (1736) Paris- White (FFr per tonne): Oct 1538.33 Dec 1506.06

CRUDE OIL - IPE $/barrel

	Latest	Previous	High/Low
Oct	16.86	17.08	17.09 16.72
Nov	17.03	17.24	17.26 16.92
Dec	17.19	17.40	17.42 17.08
Jan	17.33	17.56	17.52 17.32
Feb	17.57	17.64	17.57
IPE Index	17.19	17.29	

Turnover 29119 (32791)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low
Sep	160.00	162.00	162.25 160.00
Oct	162.75	165.25	165.00 162.50
Nov	164.75	167.25	167.00 164.75
Dec	167.25	169.50	169.25 167.00
Jan	169.00	171.00	170.50 168.75
Feb	168.50	170.50	170.50 168.50
Mar	168.50	168.25	169.00 168.50
Apr	164.25	165.00	164.25
May	163.00	164.50	163.00

Turnover 12601 (16486) lots of 100 tonnes

WOOL

Some Australian wool sale reports are a little brighter this week, but improved buying interest is confined mainly to Western Europe and China, with Japan, normally in the lead, only providing support. Prices are generally unchanged with occasional instances of slight easing, and some higher prices paid for carding wools which a few days ago were appreciably cheaper to buy. Traders in wool remain highly cautious in considering the chance of price rises, as long as the Australian stockpile overhangs the market. The AWC market indicator on September 1 stood at 411c/kg, the same as a week earlier.

COCOA - LCE £/tonne

	Close	Previous	High/Low
Sep	796	797	800 793
Dec	829	832	833 824
Mar	850	853	855 846
May	861	864	866 858
Jul	870	873	875 867
Sep	882	884	885 879
Dec	896	898	895 894
Mar	909	912	910 905

Turnover: 5336 (9829) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 31 841.10 (845.21) 10 day average for Sep 1 819.63 (813.90)

COFFEE - LCE $/tonne

	Close	Previous	High/Low
Sep	1336	1329	1338 1313
Nov	1263	1261	1265 1245
Jan	1231	1220	1230 1212
Mar	1214	1203	1215 1200
May	1203	1203	1202 1193
Jul	1205	1210	1200 1199

Turnover: 4536 (8823) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 31 Comp. daily 70.43 (71.71) 15 day average 67.96 (67.69)

POTATOES - LCE £/tonne

	Close	Previous	High/Low
Apr	78.5	77.4	77.5 76.5

Turnover 6 (35) lots of 20 tonnes.

SOYAMEAL - LCE £/tonne

	Close	Previous	High/Low
Oct	-	-	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT - LCE $10/index point

	Close	Previous	High/Low
Sep	1393	1393	1395 1390
Oct	1408	1430	1430 1410
Nov	1427	1460	1458 1425
Jan	1430	1467	1430
Apr	1475	1493	1475
BFI	1422	1434	

Turnover 115 (50)

GRAINS - LCE £/tonne

Wheat	Close	Previous	High/Low
Sep	101.25	102.15	102.00 101.25
Nov	102.50	103.25	103.40 102.50
Jan	104.60	105.40	105.55 104.60
Mar	106.60	107.40	107.40 106.60
May	109.00	109.75	109.80 109.00
Barley	**Close**	**Previous**	**High/Low**
Sep	99.65	99.65	99.50
Nov	101.55	101.60	101.80 101.50
Jan	103.75	104.00	103.90
Mar	105.75	105.60	105.75

Turnover: Wheat 599 (460) Barley 45 (73).
Turnover lots of 100 Tonnes.

PIGS - LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	98.5	98.5	

Turnover:0 (0)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 45,704 lots
Cash	1140.5-1.5	1144-5		1141-2		
3 months	1162-2.5	1165-6	1163.5/1161	1162.5-3	1161.5-2	247,406 lots
Copper, Grade A ($ per tonne)						Total daily turnover N/A lots
Cash	1970-2	1970-3	1970/1967	1967-8		
3 months	1935-6	1943-4	1939/1924	1935-6	1934-5	186,572 lots
Lead ($ per tonne)						Total daily turnover 3,182 lots
Cash	384-4.5	381-3	381	381-1.5		
3 months	398-8.5	396-7	398/395.5	395-5.5	397-7.5	23,839 lots
Nickel ($ per tonne)						Total daily turnover 6,240 lots
Cash	4575-80	4545-55	4527/4525	4527-8		
3 months	4627-30	4595-605	4645/4570	4580-2	4620-5	46,018 lots
Tin ($ per tonne)						Total daily turnover 2,929 lots
Cash	4625-30	4670-5		4620-5		
3 months	4675-80	4725-30	4700/4650	4665-70	4645-50	10,857 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 20,694 lots
Cash	871.5-2	875-6		870-0.5		
3 months	887-7.5	889-90	892/885	885.5-6	888-8.5	81,706 lots

LME Closing £/$ rate:
SPOT: 1.5065 3 months: 1.4967 6 months: 1.4882 9 months: 1.4819

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	369.50-370.00	
Opening	371.75-372.15	
Morning fix	371.80	249.112
Afternoon fix	369.05	245.559
Day's high	372.00-372.50	
Day's low	369.00-369.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.72	6 months	2.82
2 months	2.68	12 months	2.82
3 months	2.62		

Silver fix	p/troy oz	US cts equiv
Spot	323.60	483.25
3 months	328.05	486.65
6 months	332.35	490.65
12 months	341.45	499.80

GOLD COINS

	$ price	£ equivalent
Krugerrand	372.00-375.00	250.00-253.00
Maple leaf	381.40-383.80	-
New Sovereign	88.00-91.00	59.00-62.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1125	37	68	9	19
1150	22	52	19	28
1175	12	39	34	39
Copper (Grade A)	**Calls**		**Puts**	
1900	74	85	17	62
1950	44	62	36	88
2000	23	43	64	119
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
1150	137	134	24	53
1200	103	106	40	75
1250	75	82	62	101
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
750	92	122	13	22
775	73	104	19	29
800	57	66	26	38
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
1700	16	53	38	53
1750	5	32		
1800	3	16		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	369.9	373.0	0	0
Oct	370.8	373.9	373.0	370.4
Nov	371.7	374.8	0	0
Dec	372.6	375.7	375.0	371.0
Feb	374.3	377.4	376.4	373.5
Apr	376.0	379.1	376.1	375.0
Jun	377.7	380.8	379.8	379.8
Aug	379.4	382.5	381.5	378.0
Oct	381.2	384.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	381.1	383.9	384.0	381.0
Jan	381.6	384.4	384.5	382.0
Apr	382.2	385.0	384.0	382.5
Jul	383.0	395.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	473.9	483.6	484.0	475.0
Oct	475.1	485.0	0	0
Nov	477.5	487.4	0	0
Dec	478.5	488.5	489.5	476.0
Jan	479.0	489.0	0	0
Mar	483.0	493.1	493.5	485.0
May	486.2	496.3	494.0	494.0
Jul	489.2	499.3	497.0	490.0
Sep	492.5	502.6	0	0
Dec	505.0	507.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	83.40	85.60	85.80	83.30
Oct	83.80	85.75	85.70	83.45
Nov	83.70	85.90	0	0
Dec	83.85	86.00	86.25	83.80
Jan	83.90	86.10	0	0
Feb	84.00	86.20	0	0
Mar	84.05	86.30	85.35	84.40
Apr	84.10	86.40	0	0
May	84.20	86.45	85.90	84.50
Jun	84.30	86.55	84.30	84.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	18.04	18.29	18.32	17.86
Nov	18.33	18.55	18.57	18.15
Dec	18.52	18.74	18.76	18.37
Jan	18.65	18.87	18.87	18.55
Feb	18.72	18.97	18.85	18.72
Mar	18.92	19.07	19.05	18.90
Apr	18.92	19.14	19.00	18.89
May	19.01	19.21	19.01	19.01
Jun	19.10	19.28	19.25	19.08
Jul	19.18	19.34	19.30	19.16

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	53.25	53.64	54.25	52.50
Nov	54.25	54.64	54.85	53.60
Dec	55.20	55.61	55.75	54.55
Jan	56.80	56.21	56.25	55.40
Feb	56.00	56.31	56.30	55.65
Mar	54.90	55.51	55.55	54.80
Apr	53.85	54.36	54.50	53.95
May	53.15	53.51	53.50	53.15
Jun	52.95	53.08	53.20	52.80
Jul	53.00	53.31	53.35	52.90

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	987	990	1023	975
Dec	1076	1079	1087	1070
Mar	1123	1123	1130	1113
May	1145	1143	1150	1135
Jul	1165	1163	1168	1150
Sep	1187	1186	1190	1180
Dec	1207	1216	1207	1207
Mar	1235	1235	1239	1231
May	1258	1255	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	76.40	75.35	78.40	74.75
Dec	78.95	77.90	79.50	77.30
Mar	81.10	79.90	81.60	79.70
May	82.45	81.50	82.75	81.00
Jul	83.75	82.65	0	0
Sep	84.95	83.70	0	0
Dec	88.50	87.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.16	9.07	9.32	9.04
Mar	9.50	9.41	9.70	9.36
May	9.69	9.58	9.83	9.56
Jul	9.75	9.66	9.86	9.65
Oct	9.79	9.70	9.91	9.67

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	54.45	55.31	55.05	54.30
Dec	55.82	56.68	56.45	55.62
Mar	57.40	58.08	57.88	57.20
May	57.85	58.75	58.53	57.75
Jul	58.61	59.26	59.20	58.61
Oct	59.51	60.05	60.00	59.51
Dec	59.70	59.85	59.93	59.58

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	120.50	122.90	123.60	120.50
Nov	123.35	125.95	126.70	123.25
Jan	123.65	127.35	128.00	123.00
Mar	125.55	128.65	129.15	125.55
May	127.25	129.65	130.00	128.00
Jul	127.25	129.90	130.00	128.00
Sep	127.25	129.80	0	0
Nov	127.25	129.80	0	0
Jan	127.25	129.80	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Sep 1	Aug 31	mnth ago	yr ago
1629.4	1635.0	1651.4	1511.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug 31	Aug 30	mnth ago	yr ago
Spot	123.52	123.85	126.60	117.79
Futures	126.73	127.34	132.32	115.98

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	652/4	659/4	661/0	651/0
Nov	654/6	663/4	664/4	654/0
Jan	661/0	669/2	671/0	660/0
Mar	666/2	675/4	675/0	666/0
May	668/4	677/4	676/0	668/4
Jul	670/4	679/4	679/0	670/0
Aug	667/0	676/4	674/0	667/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	23.36	23.60	23.55	23.34
Oct	23.44	23.67	23.67	23.43
Dec	23.66	23.90	23.88	23.63
Jan	23.75	23.99	23.99	23.75
Mar	23.86	24.15	24.09	23.87
May	23.88	24.20	24.14	23.86
Jul	23.88	24.15	24.10	23.85
Aug	23.75	24.00	23.95	23.75

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	207.0	209.4	209.8	206.0
Oct	205.9	208.5	208.7	205.0
Dec	206.2	208.9	208.9	205.3
Jan	206.6	209.7	209.3	205.8
Mar	208.1	211.0	210.5	207.0
May	208.7	211.5	211.2	208.0
Jul	209.1	212.3	212.0	209.0
Aug	208.3	209.0	209.5	207.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	225/4	229/6	229/6	225/2
Dec	233/6	237/4	237/2	233/4
Mar	242/4	245/6	245/4	242/2
May	248/2	251/0	250/6	248/0
Jul	251/2	254/0	253/6	251/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	307/0	308/6	313/0	306/6
Dec	313/4	315/4	320/0	313/0
Mar	316/4	318/0	322/2	316/0
May	309/6	312/4	316/0	309/4
Jul	302/0	300/4	303/4	300/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.650	75.150	75.750	74.925
Dec	75.575	75.300	75.800	75.125
Feb	75.975	75.525	76.125	75.350
Apr	76.925	76.500	77.000	76.425
Jun	73.500	73.225	73.625	73.150
Aug	72.300	72.025	72.400	72.150

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	47.000	47.175	47.150	46.700
Dec	46.425	46.400	46.550	46.100
Feb	45.475	45.500	45.550	45.200
Apr	44.025	44.050	44.150	43.875
Jun	49.100	49.125	49.150	49.000
Jul	48.150	48.225	48.150	48.050
Aug	47.000	47.000	47.050	47.000

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.500	50.200	50.800	49.500
Mar	50.075	49.850	50.400	49.150
May	51.200	50.800	51.250	50.600
Jul	50.400	50.700	50.400	50.400
Aug	50.450	50.450	0	0

LONDON STOCK EXCHANGE

Share losses halved in late recovery

By Terry Byland,
UK Stock Market Editor

THE EXPECTED shakeout in the UK stock market got under way yesterday after the first round of trading news from this week's company reporting list gave the signal for increased profit-taking. Falls in share prices were emphasised by the readiness of market-makers to strike prices lower in the hope of picking up cheap stock, and by the absence of the US buyers who provided the impetus for last week's rise to an all-time peak on the FT-SE 100 Index.

Traders were not pleased by reports on trading progress at Tate & Lyle, and the shares fell sharply. The departure of the chief executive of BPB Industries was also taken badly by the stock market. The market was soon sliding lower and by mid-session, the Footsie showed a fall of nearly 30 points to the 3,070 area. The loss of the 3,100 mark had been widely seen as a distinct possibility but traders were glad to see a recovery set in yesterday afternoon. The rally was helped by good performances from a handful of blue chip stocks.

The recovery was encouraged by a rally in UK government bonds which replaced early losses with very small gains at the longer end of the market. Strongly rising prices for UK bonds have provided support for equities, as fund managers have watched bond yields fall.

By the close, the FT-SE had virtually halved its early loss to show a final reading of 3,085.1, a net 14.9 off on the session. The FT-SE Mid 250 Index, at 3,495.7, lost 16.5.

The late rally in equities was accompanied by a heartening increase in trading volumes, which had been low when prices were falling. The day's Seaq total of 612.2m shares compared with only 476.2m on Tuesday when the London market was making a slow return from its three-day Bank Holiday weekend. Tuesday's retail business was worth only £1.06bn, at the low end of recent daily averages.

"It looked as if the US funds decided to let a bit of steam out of the London market," commented the head trader of a leading US securities broker which acts for a number of transatlantic clients.

There was significant profit-taking in a number of the stocks recently favoured by US investors, including Vodafone, the portable phone manufacturer. A US firm was understood to be particularly active on the put side of the London traded options market in Vodafone.

With a number of important companies reporting progress this week, sector analysts were busy changing forecasts and urging investment moves across the range of the stock market. The weakness in Tate & Lyle raised new queries over the decisions likely to be made at the next meeting of the FT-SE Index committee which advises on additions and deletions from the 100 stocks comprising the Index.

However, the final picture was more mixed than the fall in the Footsie suggested. ICI benefited strongly from brokerage recommendation and there were several firm features among the interest-related stocks.

Equity strategists were prepared to wait and see how far the market correction will run. Mr Robin Aspinall, chart specialist at Panmure Gordon, warned that "even a bullish technical analyst" would expect a correction to carry the Footsie back to 2,850.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	9,500	65¾	-½
Abbey National†	2,700	388	-7
Albert Fisher	5,100	71	
Allied-Lyons†	1,800	609	-4
Anglian Water†	101	529	-3
Argos	860	342	+2
Argyll Group†	3,800	332	-9
Arjo Wiggins†	1,400	209	-1
Assoc. Brit. Foods†	118	511	-7
Ass. Brit. Ports	865	461	-7
BAA†	826	627	-6
BAT Inds.†	2,700	469½	-8½
BET	2,800	125	-2
BICC	683	410	-3
BOC†	1,100	668	
BP†	7,400	312	-4½
BPB Inds.	4,800	232	-16
BT†	14,000	428	
BT (P/Pd)	10,000	185	+1
BTR†	2,800	387	-2½
Bank of Scotland†	3,500	172	-1
Barclays†	3,200	498	-1
Bass†	2,000	498	-4
Blue Circle†	2,800	295	-1
Booker	242	487	-1
Boots†	1,900	490	+1
Bowater†	2,300	515	-8
Brit. Aerospace†	1,800	436	-10
British Airways†	1,800	369	-1
British Gas†	4,800	331½	-½
British Land	1,200	380	-3
British Steel†	5,600	113½	+2½
Bunzl	684	143	-1
Burmah Castrol†	278	788	
Burton	774	75½	-½
Cable & Wire.†	2,700	680	-2
Cadbury Schweppes†	1,100	488	-2
Calor Group	53	276	-3
Carlton Comms.†	419	782	-2
Coats Viyella†	721	249	-1
Comm. Union†	1,500	603	-5
Cookson	1,800	231	
Courtaulds†	1,000	559	-5
Dalgety	591	508	-5
De La Rue†	470	701	-3
Dixons	3,000	226	-7
Eastern Elec.	352	541	+4
East Midland Elec.	401	527½	+5½
Eng China Clays	464	486	-8
Enterprise Oil†	783	482	+1
Eurotunnel Units	85	475	-10
FKI	431	148	-4
Fisons	1,800	179	-2
Foreign & Col. I.T.	677	249	-2
Forte†	3,400	236	+1
Gen. Accident†	865	673	-8
General Elect.†	3,800	357	-5
Glaxo†	4,900	614	+20
Glynwed Int.	99	315	-1
Granada†	1,100	432	-3
Grand Met.†	1,900	455	-5
GUS A†	121	2023	-7
GRE†	365	217	-3
GKN	183	492	-4
Guinness†	3,200	509	-1
HSBC (75p shs)†	2,100	726½	-7½
Hammerson 'A'	375	364	
Hanson†	7,700	257½	-2½
Harrisons Crosfield	625	187	-1
Hillsdown	5,200	188	-1
IMI	118	298	
ICI†	2,500	731½	+17½
Inchcape†	1,400	680	-11
Johnson Matthey	482	472	-8
Kingfisher†	1,200	678	
Kwik Save	282	741	-6
Ladbroke†	3,500	202	-1
Land Securities†	1,600	666	-7
Laporte	170	638	-8
Legal & General†	1,400	480	-5
Lloyds Abbey	2,100	431	
Lloyds Bank†	990	546	-6
LASMO	1,300	147	-1
London Elec.	358	539	+3
Lonrho	1,800	128	-½
Lucas	2,200	159	
MB Caradon†	870	335	-1
MEPC	1,400	488	
MFI	1,900	143	-3
Manweb	494	500	+7
Marks & Spencer†	5,500	383½	+6½
Midlands Elec.	130	562	-1
Morrison (Wm.)	1,400	145	
NFC†	372	271	-1
NatWest Bank†	1,500	492	-2
National Power†	1,400	365½	-½
Next	500	200½	-2
North West Water†	891	524	+3
Northern Elec.	258	595	+4
Northern Foods†	2,000	266	-1
Norweb	438	567	+1
Pearson†	1,200	509	+5
P & O†	1,000	646	
Pilkington	2,000	158	
PowerGen†	1,700	384	+2
Prudential†	1,800	340	
RMC†	219	777	-7
RTZ†	1,700	740	-½
Racal	432	255	-5
Rank Org.†	788	785	-11
Reckitt & Colman†	838	622	-6
Redland†	1,300	533	-4
Reed Intl.†	566	731	-2
Rentokil†	430	213	-4
Reuters†	615	1527	-12
Rolls Royce	5,200	163¼	+6
Rothmans†	627	718	-5
Ryl Bk Scotland†	3,200	380	+4
Royal Insurance†	4,000	311	-4
Saatchi	118	184	
Sainsbury†	1,700	507	-6
Scottish & New.†	687	478	-2
Scot. Hydro-Elect.†	544	376½	-1½
Scottish Power†	2,400	358	-3
Sears†	2,500	114	+2
Sedgwick	2,100	189	-4
Seeboard	421	605	+3
Severn Trent Water†	465	551	+1
Shell Transport†	3,300	670	-3
Siebe†	500	519	-9
Slough Ests	1,900	229	-7
Smith (W.H.) A	587	484	-2
Smith & Nephew†	975	149¼	+1
SmKl Beecham†	2,600	437	-7
SmKl Beecham Uts.†	1,900	386	-6
Smiths Inds.	727	382	-3
Southern Elect.	114	552	+5
South Wales Elect.	22	605	+4
South West Water	110	674	+6
South West. Elect.	177	556	-2
Southern Water	88	579	+6
Standard Chartd.†	1,000	938	+8
Storehouse	1,800	226	-1
Sun Alliance†	608	387	+2
T&N	2,000	208½	-3½
TI Group†	333	360	-5
TSB†	1,300	200	-2
Tarmac	2,700	153	-3
Tate & Lyle†	6,600	375	-25
Taylor Woodrow	861	121	-5
Tesco†	3,400	230	-7
Thames Water†	444	543	+3
Thorn EMI†	571	998	-11
Tomkins†	4,000	239	-2
Trafalgar House	3,700	107	-2
Unigate	245	394	-3
Unilever†	1,500	1082	-4
United Biscuits†	456	386	-2
Utd. Newspapers	225	584	-3
Vodafone†	9,600	547½	-23½
Warburg (SG)†	312	810	-3
Wellcome†	1,500	729	-13
Welsh Water	57	634	+1
Wessex Water	117	646	-1
Whitbread 'A'†	1,400	542	-2
Williams Hldgs.†	1,400	344	-5
Willis Corroon	550	229	-5
Wimpey	442	186	-3
Wolseley†	416	843	-8
Yorkshire Elect.	80	571	+2
Yorkshire Water	283	552	-4
Zeneca†	1,400	727	+13

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

Account Dealing Dates

*First Dealings:		
Aug 16	Sep 6	Sep 20
Option Declarations:		
Sep 2	Sep 16	Sep 30
Last Dealings:		
Sep 3	Sep 17	Oct 1
Account Day:		
Sep 13	Sep 27	Oct 11

*New time dealings may take place from two business days earlier.

Upset at Tate & Lyle

A PROFITS warning from Tate & Lyle, the sugar and sweetener group, produced a sharp reversal in the shares, which ended the session as the worst performing Footsie listed stock. The company blamed tight margins in the US sweetener business as the primary reason for the warning, which prompted an immediate swathe of profits downgrades from food manufacturing analysts.

Most cut their forecasts by £20m for the current year to around £220m. For 1993-94, the market range is £245m to £255m, about 8 per cent down from the previous figures. The downgrades were accompanied by most brokers turning cautious on the stock, with the feeling among analysts that the shares will be vulnerable to further falls as they undergo a rerating.

There was also some consternation at the volatile run the shares have had in recent sessions – including the biggest ever recorded daily turnover last week with over 10m shares traded. Yesterday, volume was a very hefty 6.5m, with the shares tumbling 25 to 375p.

BPB setback

News of the resignation of BPB's chief executive, Mr John Maxwell, after less than a year in office was badly received in the City and was followed by a steep decline in BPB shares.

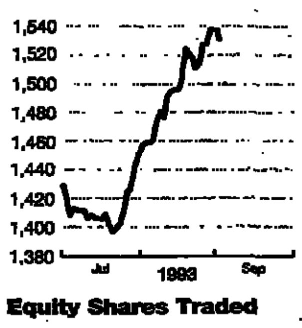
Dealers said Mr Maxwell's resignation, "by mutual agreement", according to the company, had come as a bolt from the blue and had been interpreted as very bearish news by the market. "It seems the company has lost direction," said one leading building sector analyst.

He added that Mr Maxwell was viewed by the big institutions as "a breath of fresh air" at BPB, and much more concerned with making profits rather than opening new plants. "There is a very real worry that BPB will embark on a campaign to increase market share, with all that entails," he said.

Mr Alan Turner, BPB's chairman, formerly chairman and chief executive until succeeded by Mr Maxwell last year, will reassume the joint role until a successor to Mr Maxwell is found. Analysts said it was likely that having unsuccessfully tried an external appointment to the chief executive post it was likely the position would be filled internally.

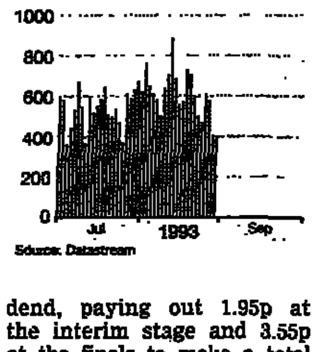
BPB ended 16, or 6.5 per cent, down at 232p, after touching 229p. Earlier this month the shares reached their highest level, 252¼p, since late-1989. Turnover was a heavy 4.6m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business and overseas turnover



Source: Datastream

Vodafone falls

Renewed worries about profit margins and pricing, and the competitive onslaught from rivals Mercury and Cellnet, were only some of the reasons behind the latest steep fall in Vodafone yesterday.

The shares, which have risen virtually in a straight line from 434p in July to a record 585p only last week, dropped 23¼ to 547¼p yesterday, having touched 544p at one stage, for a two-day loss of 31¼p. Turnover was a strong 9.6m shares.

Telecoms specialists said the latest tumble in the shares came as S.G. Warburg shifted its stance on the stock to hold, triggering a flurry of US selling. US investors have been the main buyers of Vodafone stock this year, boosting their holding from well below the 20 per cent mark to well above 25 per cent. "With the US buying drying up, and with UK institutions sellers for the last six weeks or so, the shares were bound to fall," said one dealer.

There was also plenty of downward pressure on the share price following some aggressive activity in the traded options market, where Vodafone was the fifth most active stock option with 919 contracts traded. One of the big US houses was said to have been a big buyer of put options.

Active buying ahead of today's interim figures boosted aero-engine manufacturer Rolls-Royce.

The shares added 6 at 163¼p on good volume of 5.2m. There were vague whispers late in the session that today's results may be accompanied by a rights issue.

NatWest Securities predicts profits of £35m, against £20m a year earlier, and expects the company to rebase the dividend, paying out 1.95p at the interim stage and 3.55p at the finals to make a total of 5.5p.

Provident Financial jumped 9 to 452p after 460p following the almost doubled profits and sharply increased dividend.

HSBC suffered a belated reaction to the interim results with a number of bank analysts shaving their profits forecasts. NatWest Securities, telling clients to reduce weightings, and cutting their 1993 forecast from £2.44bn to £2.325bn and that for 1994 from £2.77bn to £2.55bn. Lehman Brothers lowered their 1994 estimate from £2.55bn to £2.5bn and said Standard Chartered "looks better value." HSBC fell 7½ to 726½p while Standard Chartered edged up 8 to 938p.

Schroders, reporting interims on Friday, was the pick of a generally firm merchant banking sector, the ordinary shares settling 47 up at 1315p and the non-voting stock 70 higher at 1283p.

Composite insurances were broadly lower with the notable exception of Sun Alliance which improved 2 to 387p on talk of good news accompanying the interim figures this morning. Sun Alliance shares have been weakened in recent weeks by suggestions that the group may be seeking to raise capital via a rights issue.

Poor results from Invergordon, the whisky distiller, saw the shares drift back, although hopes of the long awaited return of Whyte & McKay kept the fall to a minimum. The US drinks group has a 41 per cent stake in Invergordon following a failed bid two years ago. "Today's results will do nothing to put off Whyte," said one analyst, adding that the US group will probably wait in the hope that the Invergordon price will fall back before mounting a fresh attack. The shares retreated 9 to 286p.

Whitbread was at the centre of good two-way action as Smith New Court and UBS were both said to have downgraded the drink and retail group. Kleinwort Benson had issued a strong buy recommendation on Tuesday. Yesterday, the shares slumped but later rallied to close just 2 off at 542p.

Among leisure stocks, Rank Organisation announced it had sold off more of its hotels, analysts putting a figure of £27m on the deal, or around £50,000 a room. The shares steadied on the news, closing 9 off at 785p. Owners Abroad appointed a new chairman to succeed Mr Howard Klein who resigned after the recent profits warning. The shares rose 3 to 87p.

Textile group Courtaulds recovered from a 17p fall to close 5 down at 559p. The company was upbeat about trading prospects and was behind the 6½ rise in Marks and Spencer to 383½p, according to dealers.

Renewed talk of a price war in the food retail sector was said to be behind the poor performance of the leading stocks yesterday. Argyll Group lost 9 to 332p, Kwik Save 6 to 741p, J Sainsbury 6 to 507p and Tesco 7 to 230p. Asda was helped by a buy recommendation and upgrade from NatWest Securities, the broker believing that improving trading will be reflected in better figures. It is forecasting £199m for the current year, up £13m and £216m, up £9m for 1994. The shares shaded a quarter to 65¾p.

Worries of further rationalisation in the bakery industry, together with a broker sell recommendation, was said to have undone Associated British Foods, off 7 at 511p.

An increase in interim profits helped Senior Engineering harden 3 to 119½p.

Strong US buying was said to be behind the rise in both Glaxo, up 20 at 614p and Zeneca, ahead 13 at 727p. SmithKline Beecham was under pressure from a profits downgrade in London, said by dealers to be from NatWest, and the shares lost 7 to 437p.

Suggestions that cuts in UK defence spending may halt plans for the mid-life update of the Tornado aircraft returned to the market weakening British Aerospace, which is due to carry out the programme. The shares gave up 11 to 435p.

Interim losses of £52.6m at Simon Engineering and the passing of the dividend left the shares trailing 15 to 58p.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Steve Thompson.

■ Other statistics, Page 16

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (200).
BRITISH FUNDS (2) Treas. 7¾pc '12-15, Treas. 2pc IL '06, OTHER FIXED INTEREST (8) AMERICANS (8) Ameritech, Bell Atlantic, Eaton, Merrill Lynch, Pennzoil, Southwestern Bell, BANKS (8) Banco Bilbao, Banco Santander, Bk. Scotland 9¼pc Pf., Do 9¾pc Pf., Deutsche, Natl. Australia, BREWERS (4) Mansfield, Regent Inns, Vaux, Wetherspoon, BLDG MATLS (3) Gibbs & Dandy, Manders, Marshalls, BUSINESS SERVS (5) Business Post, Hogg Robinson, Hutchison Whampoa, MITIE, Serco, CHEMS (2) ICI, Porvair, CONGLOMERATES (3) Elverley, Daimler-Benz, Grampian, CONTG & CONSTRCN (6) Ashtead, Crest Nicholson, Cussins, Hewden-Stuart, Severfield-Reeve, Vibroplant, ELECTRICALS (5) Chloride, Fujitsu, Kenwood, Menvier-Swain, Volex, ELECTRICITY (4) Eastern, Manweb, Northern Ireland, Southern, ELECTRONICS (4) Alba, Astec, Diploma, Druck, ENG AERO (2) ML, Westland, ENG GEN (6) Bailey (CH), Eadie, Meggitt, Molins, Rotork, Senior, FOOD RETAILING (2) M & W, PizzaExpress, HEALTH & HSEHOLD (4) IMP, Nestor-BNA, Paterson Zochonis N/V, Zeneca, HOTELS & LEIS (1) Manchester Utd., INSCE COMPOSITE (3) Aegon, American General, FAI, INV TRUSTS (46), MEDIA (11) Black (AC), Elsevier, Johnston Press, LWT, Metal Bulletin, Mirror, News Corp., Pearson, Reed, WPP, Yorks. Tyne-Tees, MERCHANT BANKS (6) Barings 9¾pc Pf., Close Bros., Joseph (L), Schroders, Do N/V, Warburg, MTL & MTL FORMING (1) Simsmetal, MISC (7) Birkby, Calderburn, Dudley Jenkins, Osborne & Little, Plantabrook, Rhino, Ricardo, MOTORS (1) Henlys, OIL & GAS (9) Calor, Chevron, Crusader, Santos, Total, OTHER FINCL (7) Beltic, Caledonia, Cattle's, Investment Co., Lon. Forfaiting, Provident Financial, Secure Tst., PACKG, PAPER & PRINTG (8) Bemrose, Bowmore, Filofax, Low & Bonar, Seril, Tinsley Robor, Waco, Waddington, PROP (13) Allied London, Bilton, Capital & Regional, Chesterfield, City Site Ests., Frogmore Ests., Highcroft, Mucklow, Scot. Metropolitan, Smith (J), St Mowden, Warnford, Wates City of Lon., STORES (4) Marks & Spencer, Menzies, Rosebys, Tie Rack, TELE NETWORKS (1) Securicor, TEXTS (4) French (T), Hawtin, Lister, SEET, TRANSPORT (8) Brit. Airways, Dawsongroup, IoM Steam, LOF's, Manchester Ship, Norish, WATER (2) South West, Southern, MINES (6) CRA, Dragon, Montague Gold, Nth. Broken Hill, Westralian.
NEW LOWS (3).
BRITISH FUNDS (2) Exch. 12¼pc '94, Treas. 10pc '94, ENG GEN (1) Ransomes.

FINANCIAL TIMES EQUITY INDICES

	Sep 1	Aug 31	Aug 27	Aug 26	Aug 25	Year ago	* High	* Low
Ordinary share	2403.1	2414.2	2413.0	2393.5	2394.3	1682.8	2414.2	2124.7
Ord. div. yield	3.84	3.82	3.82	3.86	3.86	5.28	4.52	3.82
Earning yld % full	4.53	4.51	4.51	4.55	4.55	7.67	6.38	4.51
P/E ratio net	28.19	28.30	28.29	28.04	28.04	16.48	28.30	19.40
P/E ratio nil	26.04	26.14	26.13	25.89	25.90	15.33	26.14	18.14
Gold Mines	133.7	194.6	188.3	193.5	197.0	75.1	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2412.4	2403.0	2401.9	2404.7	2395.7	2398.0	2398.1	2393.4	2399.3	2412.4	2390.6

Volume	Sep 1	Aug 31	Aug 27	Aug 26	Aug 25	Year ago
SEAQ Bargains	34,692	40,382	35,580	31,881	31,865	18,753
Equity Turnover(£m)†	-	1055.1	1248.9	1421.3	2301.5	752.6
Equity Bargains†	-	43,914	39,187	35,616	35,709	18,578
Shares traded (ml)†	-	410.5	514.4	580.4	614.0	162.3

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

PROFIT-TAKING in the derivatives, the first signs of which was seen on Tuesday, gathered momentum yesterday sending the futures contract into retreat, writes Joel Kibazo.

The opening trade in the September contract on the FT-SE 100 at 3,102 turned out to be lower than many traders had predicted, setting the tone for the rest of the morning.

Continuous selling mainly from independent traders saw September not only test the 3,096 resistance level, but to actually break through it to fall to a day's low of 3,078.

However, during the afternoon, a firm Wall Street helped dealers turn more positive and sporadic buying from some of the larger institutions helped September reduce earlier losses, and pull the under lying cash market higher.

It finished at 3,094, 14 lower than its previous close and about 7 points ahead of its fair value premium to cash. Volume in September was 9,465, while that in the December contract was just over 2,000 contracts.

The traded options had a lacklustre session in which volume declined to 21,602, against Tuesday's 29,659. Around half of the day's total was dealt in the index options with 8,151 in the FT-SE 100 and a more modest 2,181 lots done in the Euro FT-SE 100.

Ladbroke was the busiest stock option ahead of today's figures, trading 2,181 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3085.1 -14.9	3495.7 -16.2	1530.09 -7.12

	Sep 1	Day's change %	Aug 31	Aug 27	Aug 26	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3085.1	-0.5	3100.0	3100.8	3079.2	2313.0	3.73	5.59	22.18	68.57	1115.92
FT-SE Mid 250	3495.7	-0.5	3511.9	3513.3	3484.7	2167.3	3.46	5.45	22.56	63.78	1252.87
FT-SE Mid 250 ex Inv Trusts	3511.1	-0.4	3525.3	3525.5	3506.7	2175.1	3.56	5.82	21.32	65.03	1253.69
FT-SE-A 350	1544.4	-0.5	1551.8	1552.2	1542.0	1112.4	3.67	5.56	22.27	32.15	1144.27
FT-SE SmallCap	1778.88	-0.3	1783.57	1783.56	1777.73	-	3.13	3.87	35.79	29.00	1335.13
FT-SE SmallCap ex Inv Trusts	1774.85	-0.2	1778.05	1777.85	1771.82	-	3.30	4.28	33.45	30.14	1333.17
FT-A ALL-SHARE	1530.09	-0.5	1537.21	1537.57	1527.83	1094.45	3.63	5.45	22.80	31.43	1153.92
1 CAPITAL GOODS(214)	1091.32	-0.7	1098.82	1099.13	1092.92	682.12	3.63	3.84	34.31	21.87	1282.22
2 Building Materials(28)	1158.48	-1.3	1173.33	1180.00	1175.88	661.99	3.96	3.35	42.03	21.68	1338.98
3 Contracting, Construction(29)	1033.50	-0.7	1041.30	1043.72	1039.66	508.39	3.18	1.27	80.00†	14.39	1427.22
4 Electricals(15)	3125.47	-0.3	3135.66	3135.26	3114.24	2026.47	4.33	3.42	36.59	74.00	1263.34
5 Electronics(38)	2977.84	-1.0	3008.52	2994.09	2960.73	1918.04	2.91	5.60	21.86	62.97	1303.76
6 Engineering-Aerospace(7)	455.40	+0.1	454.96	458.85	455.79	299.78	3.24	‡	‡	6.61	1572.42
7 Engineering-General(48)	624.13	-0.6	627.97	631.11	630.14	415.26	3.43	5.66	21.39	12.41	1250.09
8 Metals & Metal Forming(10)	461.05	+0.8	457.58	467.38	463.11	266.21	2.37	‡	‡	6.45	1456.35
9 Motors(20)	457.64	-0.5	459.74	461.28	460.69	277.43	4.78	4.14	33.73	10.47	1255.27
10 Other Industrials(19)	2288.37	-0.6	2301.41	2284.01	2270.28	1501.97	3.95	5.02	23.79	51.39	1180.19
21 CONSUMER GROUP(233)	1749.86	-0.2	1753.48	1751.05	1738.38	1461.85	3.29	6.41	18.93	30.47	1016.76
22 Brewers and Distillers(29)	2040.73	-0.6	2053.20	2052.19	2061.00	1638.30	3.61	7.57	15.96	42.12	998.34
25 Food Manufacturing(22)	1391.98	-0.8	1403.64	1388.54	1383.71	1083.63	3.65	7.01	17.01	28.07	1074.09
26 Food Retailing(17)	3041.90	-1.4	3086.03	3077.69	3059.30	2805.11	3.07	8.49	14.61	52.25	953.88
27 Health & Household(30)	3568.62	+0.7	3542.90	3560.36	3502.58	3727.07	3.45	6.16	18.93	47.83	849.47
29 Hotels and Leisure(19)	1435.92	-0.6	1444.70	1439.96	1430.72	959.03	4.11	5.84	21.44	45.01	1158.90
30 Media(33)	2156.24	-0.1	2159.38	2147.67	2132.60	1404.33	2.44	4.69	25.81	28.92	1199.08
31 Packaging and Paper(24)	925.73	-0.6	930.20	926.31	918.38	709.95	3.16	5.19	23.73	15.31	1205.75
34 Stores(39)	1276.92	+0.3	1272.93	1274.36	1265.84	936.65	2.82	5.47	23.07	18.39	1117.07
35 Textiles(20)	837.41	-0.1	837.94	838.37	835.30	584.05	3.65	5.75	21.80	15.56	1141.43
40 OTHER GROUPS(141)	1620.02	-0.5	1627.54	1624.63	1614.00	1173.34	3.99	6.81	17.68	38.87	1157.75
41 Business Services(27)	1725.50	-1.3	1748.37	1745.21	1735.19	1186.63	2.89	6.81	16.76	21.86	1149.26
42 Chemicals(23)	1603.61	+0.6	1594.42	1578.50	1568.61	1255.68	4.10	0.28	‡	43.89	1160.19
43 Conglomerates(11)	1554.56	-0.8	1567.76	1575.66	1570.16	1087.92	4.92	6.91	18.33	35.28	1150.72
44 Transport(15)	3230.46	-0.5	3246.33	3225.30	3193.63	2194.63	3.58	4.13	28.48	58.31	1192.67
45 Electricity(16)	1945.08	+0.2	1940.32	1943.42	1930.15	1327.93	4.05	11.52	10.80	61.43	1287.38
46 Telephone Networks(4)	1896.33	-0.6	1907.40	1898.73	1888.77	1372.26	3.57	5.53	22.34	34.88	1149.46
47 Water(13)	3695.04	+0.2	3688.44	3678.61	3639.50	2885.73	4.80	11.73	9.42	108.71	1175.82
48 Miscellaneous(32)	2462.50	-1.3	2495.42	2503.23	2490.32	1861.34	4.29	7.81	14.99	78.80	1029.55
49 INDUSTRIAL GROUP(588)	1556.06	-0.4	1562.14	1560.30	1549.88	1174.09	3.59	6.02	20.31	31.30	1109.83
51 Oil & Gas(18)	2663.96	-0.7	2681.84	2685.38	2678.68	1807.62	4.11	5.92	21.20	63.10	1215.46
59 "500" SHARE INDEX(606)	1654.48	-0.4	1661.43	1660.61	1649.61	1234.51	3.65	6.01	20.41	33.26	1120.53
61 FINANCIAL GROUP(90)	1135.79	-0.6	1142.74	1146.84	1140.84	650.16	3.78	3.26	45.71	27.35	1337.10
62 Banks(9)	1527.70	-0.9	1540.87	1549.95	1543.91	894.25	3.52	4.06	34.02	39.85	1321.89
65 Insurance (Life)(6)	2066.94	----	2065.91	2058.46	2047.22	1311.87	4.33	4.65	27.08	47.49	1202.25
66 Insurance (Composite)(7)	713.24	-0.8	719.15	726.75	720.54	435.52	4.71	‡	‡	19.69	1172.96
67 Insurance Brokers(10)	923.45	-1.6	938.24	944.76	947.08	561.93	4.23	4.54	32.41	17.64	1219.18
68 Merchant Banks(6)	828.40	+1.1	819.25	801.93	797.63	398.85	2.74	5.50	22.58	13.62	1685.54
69 Property(28)	1019.33	-0.7	1026.03	1030.07	1022.68	497.16	3.97	3.94	33.58	20.13	1632.85
70 Other Financial(23)	463.62	+0.2	462.54	461.03	456.03	215.81	3.28	4.70	28.47	7.26	1566.98
71 Investment Trusts(110)	1676.04	-0.9	1691.28	1695.57	1688.31	1034.63	2.45	1.96	51.14	24.21	1276.23
99 FT-A ALL-SHARE(806)	1530.09	-0.5	1537.21	1537.57	1527.83	1094.45	3.63	5.45	22.80	31.43	1153.92

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3099.5	3086.4	3081.8	3084.8	3075.7	3078.3	3078.5	3074.0	3080.1	3099.5	3070.3
FT-SE Mid 250	3511.8	3508.1	3502.8	3501.5	3493.2	3493.0	3492.7	3491.0	3493.6	3512.1	3490.2
FT-SE-A 350	1551.8	1546.1	1543.8	1544.9	1540.5	1541.5	1541.6	1539.6	1542.2	1551.8	1538.2

Time of FT-SE 100 high: 8:30am low: 2:25pm

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	2018.0	2018.4	2014.7	2009.5	1993.2	1993.2	1992.7	1995.5	1996.0	1999.7	2018.7	-19.0
Health & H	1070.1	1064.4	1063.8	1064.1	1058.4	1060.4	1061.9	1061.3	1063.1	1075.3	1066.9	+8.4
Water	1524.0	1523.3	1517.5	1517.9	1517.9	1517.8	1517.8	1516.5	1522.1	1526.1	1522.6	+3.5
Banks	1873.9	1866.7	1858.0	1863.7	1854.0	1854.0	1853.3	1851.5	1856.1	1856.9	1872.9	-16.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Funding 6pc 1993‡‡	100xd	----	100¼	99⅔	6.06	-
Treas 13¾pc 1993‡‡	101⅔	----	106⅛	101½	13.51	5.54
8½pc 1994	101¼	----	102⅔	101¼	8.49	[illegible]
14½pc 1994‡‡	104⅔	----	109¼	104⅔	13.88	[illegible]
Exch 13½pc 1994	105⅞	----	109⅞	105⅞	12.85	[illegible]
Treas. 10pc Ln. 1994‡‡	103⅔	-⅛	105⅔	103⅔	9.67	[illegible]
Exch 12½pc 1994	108⅔	-⅛	110⅞	108⅔	11.72	[illegible]
Treas 9pc 1994‡‡	104⅛	----	105⅔	103⅔	8.64	[illegible]
12pc 1995	108⅔	-⅛	111⅔	108⅛	11.04	[illegible]
Exch 3pc Gas 90-95	96⅔		97	94	3.10	[illegible]
10¼pc 1995	108⅛	----	109⅞	107⅛	9.47	[illegible]
Treas 12¾pc 1995‡‡	114⅔	-⅛	116⅞	113⅞	11.16	[illegible]
14pc 1996	117⅔	-⅛	120⅛	117⅛	11.87	[illegible]
15¼pc 1996‡‡	122⅔	-⅛	125⅛	121⅔	12.43	[illegible]
Exch 13¼pc 1996‡‡	118	-⅛	120⅛	116½	11.23	[illegible]
Conversion 10pc 1996	111⅛	----	111⅞	108⅞	9.00	[illegible]
Treas 13¼pc 1997‡‡	121⅛	----	122⅛	118⅔	10.94	[illegible]
Exch 10½pc 1997	113⅛xd	----	113⅞	110⅛	9.28	[illegible]
Treas 8¾pc 1997‡‡	108⅔	----	109	105⅛	8.04	[illegible]
Exch 15pc 1997	130⅔	+⅛	132⅔	127⅔	11.50	[illegible]
9¾pc 1998	112⅔	+⅛	112⅔	109⅛	8.65	[illegible]
Treas 7¼pc 1998‡‡	103⅛xd	----	103⅞	98⅔	6.98	[illegible]
7¼pc 1998 B‡‡	58⅔	+⅛	58⅔	54⅛	6.99	[illegible]
Treas 6¾pc 1995-98‡‡	101⅛	----	101¼	97⅔	6.88	[illegible]
14pc '98-1	128⅞	+⅛	129½	125⅛	10.86	[illegible]
Five to Fifteen Years						
Treas 15½pc '98‡‡	137⅞xd	----	138⅔	133⅔	11.24	[illegible]
Exch 12pc 1998	122⅔	----	123⅔	118⅛	9.76	[illegible]
Treas 9½pc 1999‡‡	113⅔	+⅛	113⅔	108⅛	8.39	[illegible]
Exch 12¼pc 1999	125⅞xd	+⅛	125⅞	120⅜	9.78	6.73
Treas 10½pc 1999	118⅜	-⅛	118⅜	112⅜	8.88	6.80
Conversion 10¼pc 1999	118⅞	-⅛	118⅞	112⅞	8.88	6.82
9pc 2000‡‡	112⅞xd	-⅛	113	106	7.99	6.56
Treas 13pc 2000	132⅔		132½	125½	9.79	6.89
10pc 2001	118⅛	-⅛	118¼	109¾	8.47	6.86
7pc '01(£17¼P/P)‡‡	21⅔	-⅛	21⅜	17⅜	8.90	6.75
9¾pc 2002	118⅔	----	118⅜	108⅜	8.22	6.92
8pc 2003‡‡	108⅛	-⅛	108⅔	97⅝	7.38	6.80

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
8pc 2003 A‡‡	108⅜	-⅜	108⅜	102⅞	7.39	6.81
10pc 2003	121¼xd	-⅛	122⅛	109⅝	8.21	6.94
Treas 11½pc 2001-4	125¼xd	-⅛	125⅜	116⅞	9.20	7.14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
Consols 4pc	53⅝	+⅛	53⅞	43⅝	7.47	-
War Loan 3½pc‡‡	47⅞	----	47⅞	38⅝	7.32	-
Conv 3½pc '61 Aft.	66½xd	-¼	67⅝	60⅞	5.29	-
Treas 3pc '66 Aft.	40⅛xd	----	40⅛	33½	7.48	-
Consols 2½pc	35⅛xd	+⅛	35⅛	28⅝	7.12	-
Treas. 2½pc	33⅝xd	-⅛	34¼	27⅛	7.43	-

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield (1)	Yield (2)
Index-Linked						
Treas. 2pc '94 (102.9)	134⅞	-⅛	135	131⅝	-	0.21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

Notes	Price £	+ or -	1993 high	1993 low	Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liverpool 3½pc Irred.	40	----	41½	34	8.75	-
LCC 3pc '20 Aft.	36	+½	37½	30½	8.33	-
Manchester 11½pc 2007	129	+1½	129	114	8.91	8.05
Met. Wtr. 3pc 'B'	73½	+1	73½	63¼	4.08	8.86
N'wide Anglia 3⅞pc 2021	138	+1	138	117½	-	4.12
4⅛pc IL 2024	133½	+⅛	133½	115½	-	4.07
Utd Mex States 16½pc 2008	148½	-½	147	132¼	11.26	-

Continued on next page

CROSSWORD

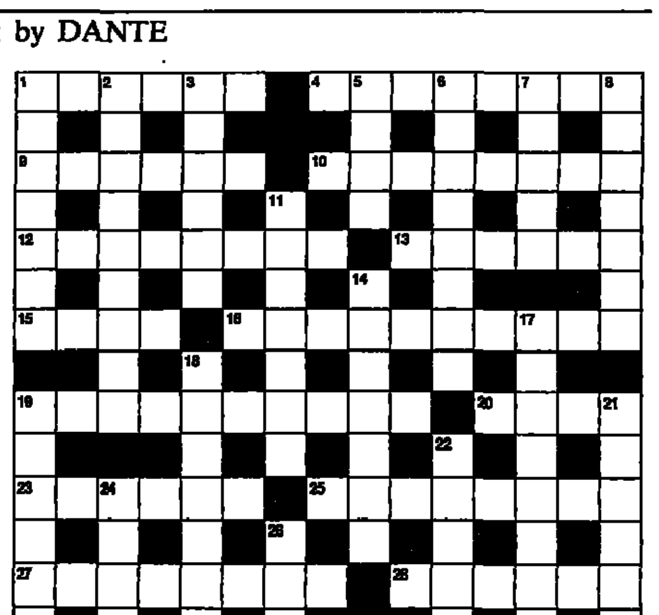
No.8,243 Set by DANTE

ACROSS

1 Fish eaters with different tastes (6)
4 Foreign title an advantage? No, many send it back (8)
9 At holiday time it may be busy or in repose (6)
10 Status of those who have managed to get on their feet (8)
12 Jumper having a pocket in front (8)
13 Quietly finding accommodation in new Indian city or old Greek city (6)
15 Not considered a disfigurement (4)
16 Cutting down what the pastrycook may need (10)
19 Offer nothing but gentle affection (6,4)
20 Aircraft control in a state of panic (4)
23 Aggressive female banker (6)
25 Any crest may indicate it (8)
27 Island in Asia, perhaps, in which a doctor turns back (8)
28 Excessive fondness for female without attachment (6)
29 The charm of Scott (8)
30 No king would make him the ruler (6)

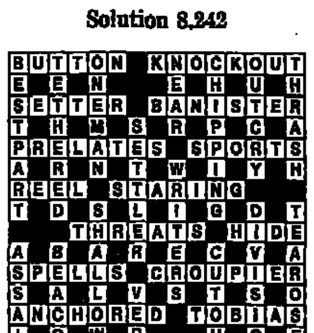
DOWN

1 He may be in or out (7)
2 Dawn of Japanese standardisation (6,3)
3 Rough customer the dentist should know how to deal with (6)
5 Don't lie under it (4)
6 Offered to alter the rent deed (8)
7 Runner and politician meet for dole (5)
8 Urging a fresh discussion (7)
11 The pool turns out to be excellent (3-4)
14 In such rain, it's better than walking (7)
17 Tease Lila about being uncomfortable (3-2-4)
18 Crimes put one's life in jeopardy (8)
19 Start in winding passage (7)
21 An empty new settlement (7)
22 Bunter's form to change houses (6)
24 Girl who may feel badly about public relations (5)
26 She lives in Los Angeles (4)



JOTTER PAD

Solution 8,242



AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17¼xd	-¼	20¾	15⅝	14,436	2.7
Allegheny & W.	♥	621p	---	722p	399p	355.8	3.2
Amdahl		318p	-8	891p	302¾p	357.1	1.1
Amer Cyanamid		38⅝	+1¾	38⅝	31¾	3,290	3.2
Amer Express		21¾xd	+⅛	25¾	14⅞	10,497	3.1
Amer T & T		42¼xd	+⅛	43¼	33⅛	56,768	2.1
Ameritech		58⅞	+2¾	58⅞	48	25,658	4.3
Anheuser-Busch		32⅛	+¼	41¼	30¾	8,890	2.8
BankAmerica		31½xd	+¼	38⅞	27⅛	11,196	3.0
Bankers NY		53¾xd	+½	54¼	42⅝	4,299	3.8
Bell Atlantic		42¾	+2¾	42¾	32¼	18,653	4.2
BellSouth		39½	+1¾	39⅞	32⅞	19,513	4.7
Bethlehem Steel	♥	9¾xd	-⅛	13¼	8⅞	820.2	-
Bowater		1364pxd	-16	1682p	1287p	494.3	2.9
CPC		30¼xd	+⅛	34⅝	26	4,563	2.9
California Engy		1188p	- -	1479p	1086p	216.3	-
Chase Manhattan		22⅞xd	----	24½	17⅞	3,570	3.5
Chrysler		29¼xd	----	32⅛	21¼	8,419	1.4
Citicorp		22¼xd	+⅛	22⅞	13¾	8,065	-
Colgate-Palm		34¾xd	+¾	45⅝	32	5,578	2.8
Cont'l Bank		1665p	+51	1877p	1278p	1,682	2.4
Dana		36⅞xd	+¼	37⅞	29¾	1,661	2.9
Data General		611p	+1	951p	527p	166.6	-
Decora Inds	♥	104p	----	146p	104p	-	-
Dun & Brad		41⅝	+¼	42⅞	37⅛	7,422	4.0
Eaton		33⅛	+1¼	33⅛	25¾	2,304	2.4
Echlin		18⅞xd	+⅛	20½	15⅛	1,088	2.5
FPL		26⅞xd	+¼	27⅞	23¼	4,781	6.3
Ford Motor		34¾xd	+⅛	35½	28¾	16,619	2.0
Gen Elect		65¾xd	+⅜	67¾	53⅞	56,313	2.6
General Host	♥	480p	----	723p	456p	-	5.0
Gillette		35⅞xd	+⅛	42⅞	31¾	7,907	1.6
Hasbro		20⅞	- -	20⅞	20⅞	1,819	0.8
Honeywell		26¼xd	+⅞	26½	20½	3,570	2.3

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1993 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot Asian Pfg	220	—	225	136	–	232.0	5.2
Warrants	593	+3	605	225	–	–	–
Scot East	79½	-½	81½	63½	2.4	90.7	12.7
Scottish Inv	217	-3	222	183	2.7	251.5	13.7
Warrants	69½	-1½	70½	38	–	–	–
Scot Mortgage	216	-3½	225	178	2.3	245.4	11.2
Scot National Inc	109xd	—	109	83	9.4	–	–
Cap	33	-1	35	16	–	102.0	86.7
Stepped Pf	188½xd	—	159½	150¼	4.8	–	–
Zero Div Pf	227½	—	227½	207	–	–	–
Warrants	4½	—	5	2½	–	–	–
Scot Value	95	—	95	71	–	–	–
Sec Alliance	1573	-7	1592	1390	2.4	92.6	-2.4
Second Consld	188	—	188	88	2.9	1710.3	8.1
Second HGSC	106	—	108	101	–	220.0	15.7
Second Market	377	-1	378	258	–	–	–
Sec Tst Scot	87½	-1	91	74½	0.7	401.1	6.0
Select Assets	156	—	157	109½	4.6	89.7	2.5
Eq Ind Ser I	149	-1	150	128	1.0	182.4	14.5
Eq Ind Ser II	148	-1	150	128	3.6	–	–
SHIRESCOT	140xd	—	149	104	3.8	–	–
Shires	281	-3	286	231	4.7	140.2	0.1
Siam Select	148	—	159	97	7.5	280.6	0.0
Warrants	47	+2½	48	15	0.9	162.0	10.5
Smaller Cos	134	—	135	78	–	–	–
Warrants	57	—	57	14	2.4	129.2	-3.4
Sphere Inc	33½	-½	35	14	–	–	–
Zero Div Pf	91½	-½	92	80¼	11.8	45.6	36.6
Units	895	—	895	785	–	–	–
Summit	87	—	87	38	–	–	–
TR City of Lon	151xd	-2	154	128	2.8	95.6	9.2
TR Euro Growth	122	-1	126	78	4.0	144.9	-4.2
Ptg Sub	68	—	68	27	1.4	126.4	3.5
TR Far East Inc	152xd	-1	164	112	2.5	–	–
Warrants	59½	-½	67½	22	3.7	151.9	0.4
TR High Inc	132	—	133	102	–	–	–
Sub	37	—	37	25	6.7	125.3	-6.4
TR Pacific	157	-4	169	110	5.3	–	–
TR Prop	30	-½	32	17	0.3	152.9	-3.0
TR Smaller	194	-3	198	146	3.8	35.6	15.7
TR Technology	108	-1	181	47	2.4	197.5	2.0
Units	2858	+50	2850	2010	2.2	238.2	57.8

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Severn Trent	551	+1	552½	438	1,967	4.8	8.8
Southern	579	+6	579	454	984.6	4.6	9.6
South Staffs	1575	+20	1575	1225	68.2	3.7	11.2
South West	574	+6	574	465	716.9	5.2	9.4
Thames	543	+3	563	454	2,117	4.8	10.6
Welsh	634	+1	639	506	914.8	4.6	6.4
Wessex	646	-1	*649	535	799.7	4.2	9.7
York W'works	308	-7	315	210	19.0	3.7	13.6
Yorkshire	552	-4	598	473½	1,097	4.8	9.4

SOUTH AFRICANS

Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	£12¼	—	£12¼	£7½	730.8	5.8	9.9
Barlow Rand	£9⅝	+⅛	£10⅝	£5⅞	1,153	5.9	3.3
Gold Flds Prop	65	—	107	49	8.69	12.1	6.9
NK Props.	68	—	97	68	2.73	19.3	2.8
OK Bazaars	98	—	116	70	98.3	2.0	-
SASOL	278	+1	308	215	1,582	5.6	♦
SA Brews	901	+5	975	753	2,483	3.0	14.9
Tiger Oats	588	—	760	538	663.3	2.7	13.4
Tongaat-Hulett	308	+1	386	212	230.5	4.7	8.9

PLANTATIONS

Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Rubbers, Palm Oil						
Anglo-East	58	-1	59	35	16.5	3.0
Bertam	150	—	150	83	31.3	4.2
Cons Plants M$	47	—	58	42	331.5	7.9
Golden Hope M$	39	—	46	37	409.5	6.0
Highlands M$	28	—	39	24	84.6	10.6
Kuala Kepong M$	78	—	93	74	370.7	5.1
Rowe Evans	63	—	63	41	22.8	4.0
Teas						
Williamson	570	—	680½	325	18.3	5.0

MINES

Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Central Rand						
Durban Deep	485	-22	709	120	10.8	–
East Rand Prp	216	-2	270	54	35.9	–
Randfont'n Est	927	-6	671	150	322.2	5.7
West Rand	68	—	85	45	2.48	–
Eastern Rand						
AFMIN	1	—	1	0½	0.24	10.0
Bracken	92	—	46	18	4.48	–
Eastern Trans	65	—	65	18	58.1	3.7
ERGO	126	-1	201	47	57.4	8.4
Grootvlei	103	-1	187	49	11.8	10.2
Kinross	869	-10	1080	332	168.4	5.7
Leslie	96	-1	137	25	15.7	4.3
Randex	14	—	20	4	1.27	–
Winkelhaak	847	-9	1029	323	103.2	1.2
Far West Rand						
Blyvoor	116	-1	138	33	27.8	5.3
Buffels	666	-4	871	233	73.6	9.8
Doornkraal	123	-1	165	37½	122.4	1.8
Doornfontein	46	-1	96	7	18.4	–
Driefontein	689	+1	913	388	1,405	4.4
Elandsrand	348	+4	604	117	329.8	3.6
Hartebeest	288	-3	425	87	323.7	6.8
Kloof	631	+1	913	319	874.6	3.5
Southvaal	1735	-3	2168	£4¼	451.1	3.3

MINES - Cont.

Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Malinga Res.	8½	—	25½	7½	0.94	-
Navan Res ₩	101	-1	102	25	17.2	-
5pc Ln Notes	94⅞	—	95¼	25	17.1	-
Oryx Gold	78⅞	—	78⅞	47	-	-
‡‡Ovoca Res ₩	8	—	8	3½	0.58	-
RTZ	740	-½	748	607	7,885	3.5

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
B Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT1795. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Charge	Cancel Price	Bid Price	Offer Price	+ or -	Yield Gr's
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 22A, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	57.81	57.95	61.65	-0.08	1.01
Far Eastern Tst	6	68.58	69.45xd	73.92	+0.49	1.77
Smaller Cos	5	169.5	174.5xd	185.7	-0.1	1.54
Smith & Williamson Unit Tst Mgrs (1700)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	277.0	277.4	293.5	+2.4	0.90
S & W Capital	5	127.9	127.9xd	137.2	+0.7	1.21
S & W Cash	0	101.94	101.94	101.94	+0.04	5.35
S & W European	5	124.6	124.6	131.8	+1.1	0.90
S & W Far Eastern	5	163.3	165.2	174.7	+2.4	0.00
S & W Growth	5	137.3	139.3xd	147.3	+0.1	1.22
S & W Income	5	125.9	127.1	134.5	+0.1	4.51
S & W Magnum	5	135.0	138.0	145.0	+1.0	1.10
S & W Smlr Secs	5	340.3	347.6	368.8	+0.2	0.52
S & W Thoroughbred	5	158.2	158.2xd	170.0	+0.8	1.13
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.50	50.50	50.50	+0.01	5.3
Capital Primece	5½	58.88	59.03xd	62.58	-0.10	7.3
Global	5½	55.71	56.53xd	60.20	-0.88	3.8
European Growth	5½	65.30	65.74	70.12	+0.37	2.5
Income	5½	56.45	56.90	60.69	-0.29	6.3
Intl Growth	5½	62.75	60.37	66.32	-0.29	6.3
Managed	5½	75.61	76.46	81.56	+0.55	2.6
UK Growth	5½	59.69	60.30xd	64.31	-0.30	4.0
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	47.81	47.81	50.80	+0.2	1.29
UK Equity Gth Acc	5¼	63.58	65.05	69.12	-0.1	1.05
UK Eq High Inc Inc	5¼	38.78	38.75	41.19	-0.1	3.44
UK Eq High Inc Acc	5¼	48.03	46.06	48.91	-0.1	3.44
UK Equity Gen Acc	5¼	58.31	59.38	63.10	-0.1	1.86
UK Equity Gen Inc	5¼	44.15	44.98	47.79	-0.1	1.86
UK Larger Cos Acc	F 7½	401.2	408.8	441.1	[illegible]	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Foreign & Colonial Unit Management Ltd				
Balanced Acc Aug 25	201.80	210.00	+3.0	2.92
Balanced Inc Aug 25	198.20	208.20	+2.9	2.92
Latin American Acc Aug 25	117.5	118.80	-1.4	1.34
Funds In Court*				
Capital Aug 19	596.27	599.75	—	3.50
Gross Aug 19	220.80	222.37	—	9.45
High Yield Aug 19	381.93	384.65xd	—	7.14
* Restricted to parties under Court control				
Govett (John) Unit Mngmt Ltd				
Managed Exempt	118.21	120.61	-2.62	3.60
Henderson Unit Trust Management Ltd				
Pensions Mngd	87.17	88.55	-0.42	2.86
Henderson YR				
Ex European	1457.54	1476.84	-11.37	1.18
Ex Nth American	1433.14	1446.00	+7.98	0.79
Ex Pacific Basin	1031.59	1048.82	-5.76	0.49
Ex Smaller Cos Inc	2128.61	2241.25	-2.61	2.20
Ex Smaller Cos Acc	2280.59	2401.50	-2.80	2.20
INVESCO Asset Management Ltd				
Exempt Funds				
Asia & Australasia	£3.5450	3.8150	—	2.24
Japan	£2.2250	2.2500xd	—	0.00
Intl Mngd P'folio(1000-1)	£1.6578	1.7810	—	1.00
Mngd Fund (Acc)	£0.8185	0.8682	—	1.00
North American	£2.5770	2.8020	—	3.62
Smaller Companies	£1.5846	1.8216	—	2.51
UK Core	£1.0080	1.3058xd	—	3.58
Jupiter Martin Unit Trust Managers Ltd				
Jupiter Martin Exempt Trust				
UK Equity	£13.77	14.03	—	-
Lazard Brothers & Co. Ltd				

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Providence Capital Life Assc. Co Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Group Pension Funds				
Equity Acc	1182.4	1219.0	—	-
Fixed Interest Acc	946.7	976.4	—	-
Managed Acc	177.6	181.1	—	-
Alpha Funds				
UK Alpha		229.3	-1.3	-
US Alpha		111.2	+0.5	-
Gilt Alpha		90.0	+0.2	-
Gold Alpha		97.0	+0.4	-
Japan Alpha		48.4	-0.5	-
US Dollar Alpha		73.3	-0.4	-
Yen Alpha		77.5	-0.9	-
D-Mark Alpha		80.2	+3.2	-
European Alpha		93.9	+0.4	-
Alpha Pension Funds				
UK Alpha		246.5	-2.1	-
US Alpha		128.3	+0.7	-
Gilt Alpha		91.1	+0.2	-
Gold Alpha		98.0	+0.4	-
Japan Alpha		48.9	-0.5	-
US Dollar Alpha		76.8	-0.5	-
Yen Alpha		84.2	-1.0	-
DM Alpha		89.9	+3.5	-
European Alpha		97.2	+0.6	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Gold Range (Pensions)				
Managed Fund		170.3	+0.7	-

Provident Mutual Life Assc. Assn.
6 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	443.8	467.3	-3	-
Managed Init	311.8	328.2	-2.2	-
Equity Ord	666.3	701.4	-8.1	-
Equity Init	468.1	492.7	-5.7	-
Index Linked Gilt Ord	203.2	213.9	-0.2	-
Index Linked Gilt Init	149.1	156.9	-0.3	-
Overseas Equity Ord	361.7	380.7	-0.6	-
Overseas Equity Init	254.1	267.5	-0.3	-
Property Ord	233.1	245.4	—	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Save & Prosper Group (z)
16-22 Western Rd, Romford RM1 3LB 0708-766966

	Bid Price	Offer Price	+ or -	Yield Gross
A.G. Bond Fd	141.2	149.5	+0.3	-
Bal Inv Fd	704.6	745.7	+0.7	-
Deposit Fd†	353.4	374.0	+0.3	-
Directors' Portfolio	77.9	82.5	-0.5	-
Equity Pens Fd	178.4	188.8	-1.6	-
European Mngd Fd	81.9	86.8	+0.3	-
Gilt Fd	514.1	544.1	+3.2	-
Gilt Pens Fd	141.7	150.0	+0.9	-
Global Equity Fd	220.6	233.5	+0.9	-
Global Eq Pens Fd	209.7	222.0	+0.4	-
High Int Pens Fd†	129.1	136.7	—	-
Japanese Mngd Fd	75.6	80.0	+0.4	-
Managed Income Fd	50.7	53.7	-0.1	4.76
Man Pens Fd	181.2	191.8	-0.2	-
North American Mngd Fd	67.5	71.5	+0.3	-
Pacific Mngd Fd	70.3	74.4	+0.8	-
Property Fd*	89.4	94.7	—	-
Prop Pens Fd*	114.6	121.3	—	-
Reserves Limited Managed	207.9	220.0	+0.7	-
UK Capital Portfolio	59.2	62.7	-0.2	-
UK Managed Gth Fd	57.4	60.8	-0.2	-

†Weekly dealings. *Fortnightly dealings

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds (First Series)				
Managed	436.2	459.2	-2.50	-
Equity	548.3	577.2	-3.60	-
Property	243.7	256.5	—	-
International	436.5	459.5	-2.30	-
Japanese	125.6	132.5	-2.70	-
Asia Pacific	152.0	160.0	+0.10	-
European	119.2	125.5	-1.50	-
American	156.7	165.0	+1.10	-
Fixed Interest	366.0	385.3	+1.30	-
Index-Linked Gilt	197.9	208.4	+0.10	-
Cash	222.0	233.7	+0.10	-
Life Funds (Second Series)				
Managed	121.6	128.0	-0.70	-
Equity	118.0	124.3	-0.80	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sun Alliance Group - Contd.

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

FOREIGN EXCHANGES

Dollar undermined by data

THE DOLLAR lost nearly two pfennigs against the D-Mark in European trading yesterday after a spate of poor data raised new questions about the state of the US economy, *writes James Blitz*.

The US currency was weakened after the White House revised down its forecast for *growth in the US economy* in 1993 to 2.0 per cent from the 2.8 per cent estimate given in April.

Compounding the gloom was a slight drop in the National Association of Purchasing Managers Index, which fell from 49.5 in July to 49.5 in August. Personal income figures also showed a surprise 0.2 per cent fall, the first month-on-month fall since 1954.

By contrast the outlook for the German economy looked somewhat better, with industrial production rising 0.5 per cent in July against forecasts of a drop of 0.1 per cent. For those investors seeking a return on short term investments, German interest rates *have remained on hold this* week, with the repo rate re-established at 6.80 per cent.

The overall impact of all this data was to push the dollar down to a low of DM1.6560 in Europe, where it had opened up at the DM1.6680 level. Against the yen, the dollar was more robust, closing at Y105.70 from a previous Y104.70.

Mr Neil MacKinnon, chief currency strategist at Citibank in London, said that the dollar had probably seen its high for 1993 in last month's DM1.7480 level. He believes that DM1.6490 is the next key chart point for the dollar. "If it breaks through that level, we should go down to DM1.59," he said.

On the dollar/yen rate, Mr MacKinnon is far more upbeat on the US side, suggesting that the Japanese currency has peaked. "We should enter a trading range of Y110 to Y115 before the end of the year," he said.

However, the Japanese authorities announced yesterday that their foreign exchange reserves had risen by some $8.79bn in August, the highest monthly increase ever. The Japanese authorities will join *the growing list of central* banks who have to sell dollars to re-balance reserves, keeping a cap on the US currency.

In Europe, the D-Mark was somewhat stronger against most European currencies as the Bundesbank appeared to be keeping interest rates on hold.

The French franc weakened to a close of FFr3.507 against the D-Mark from a previous FFr3.495. Sterling closed at DM2.5025, up ¾ of a pfennig on the day.

The Belgian franc came under strong pressure again after strong speculation that its link with the D-Mark was to be further undermined and *that foreign exchange intervention* would be suspended.

The currency dropped as low as BFr21.55 against the D-Mark at one stage. But the Belgian central bank twice announced that it would maintain its strong franc policy and the Belgian franc closed at BFr21.49.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 1	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.15120	-2.07	8.31	15
D-Mark	1.94964	1.91471	-1.79	8.00	18
Spanish Peseta	154.250	153.849	-0.26	6.34	2
Portuguese Escudo	192.854	195.408	1.32	4.68	-9
Irish Punt	0.808628	0.820734	1.50	4.50	-10
Belgian Franc	40.2123	41.0712	2.14	3.84	-16
French Franc	6.53883	6.70629	2.56	3.41	-21
Danish Krone	7.43679	7.98763	6.06	0.00	-42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4860 - 1.5080	1.5070 - 1.5080	0.37-0.35cpm	2.87	1.02-0.99pm	2.67
Canada	1.9625 - 1.9925	1.9855 - 1.9865	0.28-0.19cpm	1.42	0.67-0.54pm	1.22
Netherlands	2.7930 - 2.8175	2.8075 - 2.8175	⅛-¼cdis	-0.80	¼-½dis	-0.62
Belgium	53.20 - 53.85	53.75 - 53.85	21-29cdis	-5.58	53-62dis	-4.28
Denmark	10.2580 - 10.3075	10.2975 - 10.3075	4⅞-6¼oredis	-6.48	11⅞-13⅝dis	-4.95
Ireland	1.0650 - 1.0725	1.0690 - 1.0700	0.05-0.08cdis	-0.73	0.15-0.20dis	-0.65
Germany	2.4965 - 2.5050	2.5000 - 2.5050	⅛-¼pfdis	-0.90	⅜-½dis	-0.70
Portugal	253.75 - 256.10	254.30 - 255.30	109-119cdis	-5.37	310-336dis	-5.07
Spain	199.75 - 201.25	200.45 - 200.75	77-88cdis	-4.94	222-237dis	-4.58
Italy	2377.85 - 2403.75	2400.75 - 2403.75	6-8liredis	-3.50	18-21dis	-3.25
Norway	10.8525 - 10.8975	10.8875 - 10.8975	¼-⅝oredis	-0.41	¼-1dis	-0.23
France	8.7030 - 8.7825	8.7725 - 8.7825	1⅛-1½cdis	-1.79	2⅞-3⅛dis	-1.42
Sweden	12.1845 - 12.3075	12.2975 - 12.3075	2-2¾oredis	-2.32	5⅞-6⅜dis	-1.91
Japan	155.55 - 159.75	158.75 - 159.75	½-¼ypm	3.30	1⅛-1⅛pm	2.98
Austria	17.48 - 17.58	17.53 - 17.56	⅞-1⅞grodis	-0.94	2⅞-4⅞dis	-0.80
Switzerland	2.1955 - 2.2070	2.1950 - 2.2050	¼-⅛cpm	1.02	¼-½pm	1.14
Ecu	1.3040 - 1.3140	1.3090 - 1.3100	0.22-0.27cdis	-2.25	0.55-0.63dis	-1.80

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.78-1.71pm. 12 Month 3.03-2.93pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4860 - 1.5080	1.5070 - 1.5030	0.37-0.35cpm	2.87	1.02-0.99pm	2.67
Ireland†	1.3890 - 1.4090	1.4060 - 1.4070	0.45-0.42cpm	3.71	1.22-1.18pm	3.41
Canada	1.3170 - 1.3220	1.3210 - 1.3220	0.14-0.18cdis	-1.45	0.48-0.51dis	-1.47
Netherlands	1.8610 - 1.8840	1.8645 - 1.8655	0.56-0.59cdis	-3.70	1.52-1.57dis	-3.31
Belgium	35.50 - 36.10	35.65 - 35.75	24-31cdis	-9.24	64-75dis	-7.65
Denmark	6.8280 - 6.9050	6.8325 - 6.8375	4.90-5.50oredis	-9.13	12.70-13.90dis	-7.78
Germany	1.6555 - 1.6780	1.6590 - 1.6600	0.54-0.55pfdis	-3.94	1.44-1.46dis	-3.50
Portugal	169.40 - 170.35	169.45 - 169.55	115-120cdis	-8.32	336-341dis	-7.87

OTHER CURRENCIES

Sep 1	£	$
Argentina	1.5040 - 1.5055	1.0016 - 1.0030
Australia	2.2510 - 2.2530	1.4980 - 1.4990
Brazil	144.200 - 144.300	95.9750 - 95.9800
Finland	8.8220 - 8.9035	5.8750 - 5.8950
Greece	347.500 - 354.600	232.200 - 237.350
Hong Kong	11.6510 - 11.6645	7.7490 - 7.7500
Malaysia	3.8360 - 3.8475	2.5475 - 2.5480
Mexico	4.6760 - 4.6790	3.1100 - 3.1140
N.Zealand	2.7120 - 2.7160	1.8050 - 1.8075
Saudi Ar	5.6400 - 5.6515	3.7495 - 3.7525
Singapore	2.4170 - 2.4255	1.6055 - 1.6065
S.Af (Cm)	5.0805 - 5.0915	3.3795 - 3.3910
S.Af (Fn)	7.0920 - 7.1070	4.7200 - 4.7300
Taiwan	40.45 - 40.55	26.95 - 27.05
U.A.E.	5.5225	3.5575 - 3.5725

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Aug 31

Long term Eurodollars: two years 4⅛-4 per cent; three years 4⅝-4½ per cent; four years 4⅞-4¾ per cent; five years 5⅛-5 per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep 1	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.508	2.503	159.3	8.778	2.200	2.813	2403	1.908	53.80	200.6	1.310
$	0.663	1	1.660	105.6	5.821	1.459	1.865	1594	1.317	35.68	133.0	0.869
DM	0.400	0.602	1	63.64	3.507	0.879	1.124	960.0	0.793	21.49	80.14	0.523
YEN	6.277	9.466	15.71	1000	55.10	13.81	17.66	15035	12.47	337.7	1259	8.223
F Fr.	1.139	1.718	2.851	181.5	10.	2.506	3.205	2738	2.262	61.29	228.5	1.492
S Fr.	0.455	0.685	1.138	72.41	3.990	1	1.279	1092	0.903	24.45	91.18	0.595
N Fl.	0.355	0.536	0.890	56.63	3.121	0.782	1	854.2	0.706	19.13	71.31	0.466
Lira	0.416	0.628	1.042	66.29	3.653	0.916	1.171	1000.	0.826	22.39	83.43	0.545
C $	0.504	0.759	1.260	80.21	4.420	1.108	1.416	1210	1	27.09	101.0	0.660
B Fr.	1.859	2.803	4.652	296.1	16.32	4.089	5.229	4467	3.691	100.	372.8	2.435
Pta	0.499	0.752	1.248	79.41	4.376	1.097	1.402	1198	0.990	26.82	100.	0.653
Ecu	0.763	1.151	1.911	121.6	6.701	1.679	2.147	1834	1.516	41.07	153.1	1.

Yen per 1,000; French Fr. per 10; Lira per 1,000; Belgian Fr. per 100; Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls October	Calls December	Calls March	Puts October	Puts December	Puts March
120	-	3.39	-	-	0.06	0.16
121	-	2.61	-	0.15	0.09	-
122	-	1.83	-	0.44	0.17	0.34
123	0.72	1.20	-	-	0.33	-
124	0.30	0.75	-	-	0.55	-
Open Int	42,737	160,944	26,090	15,628	137,738	17,573

Estimated volume 37,396 † Total Open Interest 400 760
† All Yield & Open Interest figures are for the previous day.

MONEY MARKETS

Tight in London

CONDITIONS in the sterling money market remained extremely illiquid yesterday, with discount houses and *clearing banks failing to offer* bills to the Bank of England in the earlier rounds of trading, *writes James Blitz*.

For the second day running, the overnight rate for lending sterling in the wholesale cash market came close to 8 per cent as liquidity in the system remained tight. There was a daily shortage of £1.75bn, but by lunchtime yesterday less than half of this shortage had been removed.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

In the afternoon, £985m was removed via the provision of band 1 and 2 bills at the *prevailing rates*. But the Bank of England provided dealers with an unusually large level of late assistance – or emergency funding – to the tune of £700m.

The shortages that the market has experienced lately are nothing new. They are partly due to the draining of wholesale funds that accompanied the Bank of England's recent gilt auctions. The authorities have returned some of these funds in their regular operations, but it will take time for the deficit to be completely removed.

However, one market dealer yesterday reiterated a long-standing complaint of *London dealers: that the* system is increasingly dominated by 1 or 2 clearing banks who have built up a *large stock of eligible bills* in recent years.

He said that these banks can sometimes hold back from offering bills to the authorities with the aim of pushing up the cost of overnight lending and improving the state of their balance sheets.

For the time being, the Bank fo England continues to stand by *the advantages of a system* in which commercial banks are far more deregulated than they are on the continent.

In Europe, the focus of attention was on the fall in French franc interest rate *futures as dealers took the* view that French rates would not come down quickly. The December Pibor contract fell 18 points to close at 92.83. The March 1994 contract fell 15 basis points to close at 94.02.

In the German *market*, call money dropped sharply as the new month started. It dropped from 7.75 per cent on Tuesday to as low as 6.85 per cent yesterday after the Bundesbank allocated DM56.8bn of liquidity into the market against DM48.9bn of expiring facilities.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep 1) 3 months US dollars: bid 3⅛, offer 3¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

Sep 1	Overnight	One Month	Two Months
Frankfurt	6.80-6.90	6.75-6.90	6.65-6.80
Paris	7⅛-7⅜	7.35-7.65	-
Zurich	5⅛-5⅜	4⅞-4⅞	-
Amsterdam	6.56-6.62	6.52-6.60	-
Tokyo	2⅞-3⅛	-	-
Milan	9½-9⅞	9⅞	-
Brussels	-	12¼-12¾	-
Dublin	6½-6⅝	6½-6¾	6⅝-6¾

NEW YORK Lunchtime: Prime rate 6; Broker loan rate 5; Fed.funds 3⅛; Fed.funds at intervention -.

LONDON MONEY RATES

Sep 1	Overnight	7 days notice	One Month
Interbank Offer	9	6¼	6⅛
Interbank Bid	5½	5⅞	5⅞
Sterling CDs	-	-	5⅞
Local Authority Deps	5¾	5¾	5⅞
Local Authority Bonds	-	-	-
Discount Mkt Deps	7	6¼	-
Company Deposits	-	-	-
Finance House Deposits	-	-	6
Treasury Bills (Buy)	-	-	5⅝
Bank Bills (Buy)	-	-	5⅞
Fine Trade Bills (Buy)	-	-	-
Dollar CDs	-	-	2.98
SDR Linked Dep. Offer	-	-	4⅛
SDR Linked Dep. Bid	-	-	4⅛
ECU Linked Dep. Offer	-	-	8⅛
ECU Linked Dep. Bid	-	-	7⅞

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	*Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	* (in administration)	
Banco Bilbao Vizcaya	6	Girobank	6	Royal Bk of Scotland	6
Bank of Cyprus	6	●Guinness Mahon	6	●Smith & Williamson Secs	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of India	6	●Hambros Bank	6	TSB	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr. Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close September 1

INDICES

NEW YORK

DOW JONES	Aug 31	Aug 30	Aug 27	Aug 26	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3651.25	3643.99	3640.63	3648.18	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	109.34	109.45	109.39	109.43	109.45 (30/8)	103.49 (11/1)	109.45 (30/8/93)	54.99 (1/10/81)
Transport	1665.53	1651.21	1655.06	1651.42	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	256.46	255.21	254.09	254.75	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Indl. Day's High 3662.99 (3657.46) Low 3619.67 (3621.63) (Theoretical♣)
Day's High 3651.25 (3655.16) Low 3633.65 (3638.12) (Actual♣)

STANDARD AND POOR'S

	Aug 31	Aug 30	Aug 27	Aug 26	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	463.56	461.90	460.54	461.04	463.56 (31/8)	429.05 (8/1)	463.56 (31/8/93)	4.40 (1/6/32)
Industrials♥	524.47	522.93	521.86	522.07	524.99 (10/3)	496.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	47.11	46.88	46.86	47.08	47.11 (31/8)	39.89 (8/1)	47.11 (31/8/93)	8.64 (1/10/74)
NYSE Composite	256.88	256.04	255.40	255.83	256.88 (31/8)	236.21 (8/1)	256.88 (31/8/93)	4.46 (25/4/42)
Amex Mkt. Value	458.60	456.27	454.89	454.20	458.60 (31/8)	395.84 (8/1)	458.60 (31/8/93)	29.31 (9/12/72)
NASDAQ Composite	742.86	737.38	734.07	731.39	742.86 (31/8)	645.87 (26/4)	742.86 (31/8/93)	54.87 (31/10/72)

	Aug 27	Aug 20	Aug 13	year ago (approx.)
Dow Industrial Div. Yield	2.80	2.82	2.86	3.16
	Aug 25	Aug 18	Aug 11	year ago (approx.)
S & P Industrial div. yield	2.46	2.48	2.52	2.82
S & P Indl. P/E ratio	27.86	25.60	25.14	28.06

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Merck	3,423,800	31 7/8	--
Limited	3,112,300	23 3/8	+ 1/2
IBM	2,459,800	45 3/4	+ 1 1/8
Chrysler	2,198,000	42 3/4	- 1/2
Philip Morris	2,155,600	48 3/4	+ 1/4
Wal-Mart	1,956,700	25 5/8	- 1/4
Telefonos	1,950,000	53	- 1/8
Nat Med Ent	1,915,800	8 3/8	+ 7/8
WMX Tech	1,897,000	32 7/8	+ 2
Placer Dom	1,851,300	21 1/2	- 1/8

TRADING ACTIVITY

† Volume (Millions)	Aug 31	Aug 30	Aug 27
New York SE	240.975	191.341	190.863
Amex	15.840	13.893	16.737
NASDAQ	269.904	225.072	247.336
NYSE			
Issues Traded	2,621	2,597	2,598
Rises	1,172	1,115	900
Falls	778	763	991
Unchanged	671	719	707
New Highs	164	142	104
New Lows	8	4	5

CANADA

TORONTO	Aug 31	Aug 30	Aug 27	Aug 26	1993 HIGH	1993 LOW
Metals & Minerals	3109.19	3120.93	3095.43	3111.50	3149.94 (16/8)	2743.31 (21/1)
Composite	4137.60	4138.80	4133.40	4115.60	4138.80 (30/8)	3275.80 (21/1)
MONTREAL Portfolio	1958.99	1957.20	1947.29	1948.08	1958.99 (31/8)	1720.87 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	Sep 1	Aug 31	Aug 30	Aug 27	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1977.1	1962.2	1958.0	1948.6	1977.10 (1/9)	1495.00 (13/1)
All Mining (1/1/80)	878.5	878.8	878.1	878.7	904.50 (2/8)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	401.79	403.05	401.11	401.07	403.05 (31/8)	300.28 (14/1)
Traded Index (2/1/91)	1014.31	1014.08	1007.75	1004.24	1014.31 (1/9)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1317.38	1306.76	1306.25	1315.13	1365.70 (12/8)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	334.82	334.24	334.15	334.43	340.58 (19/8)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1416.0	1431.1	1414.9	1421.8	1492.90 (19/8)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	600.39	600.51	593.79	594.16	600.51 (31/8)	471.24 (13/1)
CAC 40 (31/12/87)	2191.93	2216.49	2205.67	2183.88	2216.49 (31/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	744.55	746.41	738.74	734.83	746.41 (31/8)	598.82 (14/1)
Commerzbank (1/12/53)	2122.7	2126.6	2103.6	2081.5	2126.60 (31/8)	1694.30 (14/1)
DAX (30/12/87)	1918.58	1944.89	1921.89	1904.60	1944.89 (31/8)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7542.19	7549.79	(c)	7422.98	7605.28 (19/8)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1740.02	1753.68	1751.58	1745.56	1754.84 (19/8)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	625.67	631.84	632.86	627.91	632.86 (30/8)	446.33 (6/1)
MIB General (4/1/93)	1376.0	1389.0	1390.0	1379.0	1390.00 (30/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20853.30	21026.60	20912.69	20791.68	21076.00 (3/8)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1688.41	1693.09	1677.63	1670.54	1693.09 (31/8)	1250.06 (25/1)
2nd Section (4/1/68)	2260.25	2252.36	2251.79	2250.16	2384.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	821.04	(c)	(c)	808.49	821.04 (1/9)	614.28 (13/1)
NETHERLANDS						
CBS Tt.Rtn.Gen.(End 1983)	382.5	385.2	382.2	378.5	385.20 (31/8)	295.70 (4/1)
CBS All Shr (End 1983)	250.5	252.3	250.7	248.4	252.30 (31/8)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	927.40	938.39	935.33	935.14	979.17 (13/8)	669.83 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1827.20	1780.79	1776.07	1765.79	1827.20 (1/9)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	509.43	507.57	504.57	507.07	509.43 (1/9)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1752.0♥	1747.0	1705.0	1714.0	2098.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4628.0♥	4633.0	4615.0	4614.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	674.86	684.98	672.12	685.87	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	295.09	303.12	304.88	302.97	304.88 (30/8)	215.80 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1262.1	1281.4	1292.2	1270.2	1339.10 (18/8)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1064.9	1071.9	1070.7	1069.1	1077.90 (25/8)	904.80 (11/1)
SBC General (1/4/87)	848.0	852.4	851.3	850.0	854.70 (25/8)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	3859.09	3882.04	3923.45	3919.96	5013.28 (7/4)	3088.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	978.91	963.18	962.47	952.53	998.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	601.5*	603.6	601.5	599.9	603.60 (31/8)	488.80 (13/1)
Euro Top-100 (26/6/90)	1119.90	1132.03	1133.15	1128.77	1133.15 (30/8)	862.73 (13/1)

**Saturday August 28: Taiwan Weighted Price; 3927.75, Korea Comp Ex; 689.82.
♥ Subject to official recalculation.

*Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday, September 1, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	18.2m	30	-5	Nippon Yusen KK	4.4m	646	-3
Fujitsu	10.9m	849	+1	NSK	4.1m	618	-11
Marubeni	8.9m	528	-1	Tokyu Land	3.4m	729	+2
Oki Elec	8.8m	569	+13	Tomoku	3.2m	845	+15
Itochu Corp	5.5m	644		NKK Corp	3.0m	307	-2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close September 1

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14 5/8	11 1/2	AAR Corp	0.48	3.6	68	65	13 3/8	13 1/8	13 3/8	+1/8
28 3/8	13 3/4	A L Labs A	0.18	1.0	36	589	18 5/8	18 1/4	18 3/8	+1/8
65 7/8	54 5/8	AMP Inc	1.60	2.4	23	1607	65 5/8	64 3/4	65 5/8	+7/8
72 3/4	55 1/2	AMR			17	4007	66 1/4	66 3/4	66 1/4	-1/4
3 3/8	1 3/4	ARX			12	426	3 1/8	3	3 1/8	+1/8
51 1/2	29 7/8	ASA	2.00	4.5	29	339	44	43 5/8	44	-1/4
30 3/4	22 5/8	Abbott Lab	0.68	2.6	16	5725	26 1/8	25 7/8	26	
12 5/8	9 1/2	Abitibi Pr	0.50	5.3	4	12	9 1/2	d9 1/2	9 1/2	
15 3/4	8 3/4	Acpincein			44	86	14 3/8	14 1/4	14 1/4	-1/8
36	25 1/2	ACE Ltd	0.40	1.1		496	34 7/8	34 1/2	34 7/8	+1/8
12	10 3/4	ACM Gvt In	0.96	8.5		242	11 3/8	11 1/4	11 1/4	-1/8
10	9 1/8	ACM GvOpp	0.80	8.2		90	9 3/4	9 5/8	9 3/4	
9 7/8	8 3/4	ACM Gvt Sp r	0.80	8.4		208	9 5/8	9 1/2	9 1/2	
11 5/8	10 1/2	ACM Gvt Se	0.96	8.6		232	11 1/4	11 1/8	11 1/8	
11 5/8	9 5/8	ACM Man	1.08	9.5		140	11 3/8	11 1/4	11 3/8	
9 3/8	8 5/8	ACM Managd	0.72	7.8		164	u9 3/8	9 1/8	9 1/4	+1/8
12 5/8	7 3/4	Acme Cleve	0.44	4.7	12	141	9 5/8	9 3/8	9 3/8	+1/8
9 1/4	6 1/2	Acme Elect			49	49	7 1/4	7	7	-1/8
26 1/8	18 3/8	Acordia	0.44	1.6	15	87	u26 3/4	26 3/8	26 3/4	+3/8
16	10 3/8	Acuson			32	377	11 7/8	11 1/2	11 5/8	
21 3/4	19	Adams Expr	0.48	2.4	1	218	19 7/8	19 5/8	19 5/8	-1/8
66 1/4	45 1/2	Ad Micro	3.00	4.6		27	65 5/8	64 3/4	65 3/8	-1/2
32 3/4	17 5/8	Ad Micro P	3.00	9.5	12	5362	32 1/4	31 5/8	31 5/8	-3/4
[illegible]										

- A - (continued), - B -, - C -, - D -, - E -, - F -, - G -, - H -, - I -, - J -, - K -, - L -, - M -, - N -, - O -, - P - Q -, - R -

[illegible]

Continued on next page

4 pm close September 1

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng Prev. Close
22	15½	S Anita Rt	1.36	7.8	15	190	17½	17¼	17½	
20¾	14⅞	SCOR US Cp	0.32	2.0	186	21	15¾	15¾	15¾	
29¾	20	SPS Techno	1.28	4.5	20	10	28¼	28	28¼	
14⅞	12⅞	Sabine Rt	1.80	12.1	10	58	u14⅞	14¾	14⅞	+⅛
13¾	8⅞	Salecard	0.20	1.5	12	48	13	12⅞	13	
23½	16⅞	Safeg'd Sc			10	58	21⅞	21¾	21⅞	+⅛
24¾	14½	SafetyKln	0.36	2.3	24	3247	16⅜	15⅞	15⅞	-⅜
19⅛	10⅞	Safeway			28	988	18⅞	18⅜	18½	-⅜
4¼	2	SafewayWt96				66	4⅛	4	4	-¼
55	37½	StJoePaper	0.20	0.4	152	116	51⅞	51½	51⅞	
37⅞	31	StJosL&P	1.76	4.7	15	2100	37⅞	37⅜	37⅜	-⅛
91½	75	St Paul's	2.80	3.0	15	588	u94	90¾	93⅜	+2¼
11⅝	7⅞	Salant Crp			4	44	8¾	8½	8¾	
75¼	39⅞	Sallie Mae	1.20	2.6	10	1706	47¼	46¼	46¼	-⅞
14¼	13	Salomon Br	0.32	2.3		348	14⅛	14	14	+⅛
50½	34	Salomoninc	0.64	1.2	12	4691	u51⅞	50¼	51⅝	+1¼
27½	23¼	SanDgo G&E	1.48	5.4	15	1321	u27⅝	27⅜	27½	+⅛
4⅝	3½	SantaFeEDu	0.40	10.3	38	184	3⅞	3¾	3⅞	
11⅞	8⅛	SantaFeERs	0.16	1.8	500	470	10⅛	10	10	-¼
40¾	35¾	SantaFePac	2.80	7.2	13	28	38¾	38½	38⅝	-⅛
19	12¾	SantaFPac	0.10	0.5	12	3964	18⅞	18½	18⅝	-⅛

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close September 1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Cagle A							
Cambrex	0.20	13	z100	20⅝	20⅝	20⅝	+⅛
Cap Marc	0.28	14	8	11⅝	11⅝	11⅝	
Chains A	0.01	4	803	3⅞	3¾	3¾	-⅛
Chambers		8	135	4	3¾	4	+¼
Giant FdA	0.70	15	2602	23⅛	22⅜	22⅜	-⅝
Glatfltr	0.70	21	377	17⅛	16⅝	16⅞	-¼
Goldfield		17	490	⅞	⅞	⅞	
Greenman		16	505	4$\frac{11}{16}$	4¼	4½	-$\frac{5}{16}$
New Line		36	1521	u22⅛	21⅝	22⅛	+⅜
NY TimesA	x0.56	402	850	24⅛	24	24⅛	+⅛
NthCanOil	0.20	23	12	12⅞	12⅞	12⅞	
Worthen	0.20	10	121	25¼	24½	25¼	+⅝
Xytronix		9	462	10¾	9⅞	10⅝	+⅝

[illegible]

NASDAQ NATIONAL MARKET

4 pm close September 1

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

[illegible]

AMERICA

Dow ignores further falls in bond yields

Wall Street

US SHARE prices were little changed yesterday morning, in spite of further declines in bond yields, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 3.80 at 3,648.45. The more broadly based Standard & Poor's 500 was down 0.07 at 463.49, while the Amex composite was 0.56 lower at 458.04, and the Nasdaq composite up 1.57 at a record 744.41. Trading volume on the NYSE was 141m shares by 1 pm.

Trading remained directionless for the third straight day with dealers blaming the subdued mood on an unwillingness among investors to become involved ahead of the long holiday weekend, although some were reported to be readjusting their portfolios for the start of the new month.

Falls in foreign markets, and early declines in bond prices set the tone for a downbeat opening. The day's economic news also failed to lift sentiment – the National Association of Purchasing Management's August report showed that manufacturing activity stalled last month. Analysts were particularly worried by the decline in the NAPM's employment index, which led some to revise downward their expectations for August payrolls, which will be unveiled in tomorrow's monthly employment report.

The day's other economic news - in July personal income fell 0.2 per cent, personal spending rose 0.4 per cent and construction spending declined 0.5 per cent - provided contradictory evidence of the state of the economy, and was largely ignored. Although bond prices rallied later in the day, sending yields to new record lows, equities did not react, and remained trapped in a narrow trading range just below opening values.

Honeywell slumped $3 to $35⅞ in volume of 1m shares and Litton Industries climbed $1⅛ to $68 as investors reacted to Tuesday's late news that a California jury had ordered Honeywell to pay $1.2bn to Litton for patent violation. Honeywell said later that it would appeal.

AMR, parent of American Airlines, rose $1 to $68 on reports that it was considering spinning off three of its divisions into separate companies. Separately, AMR announced sizeable layoffs among management staff.

Elsewhere, IBM rose $⅜ to $46⅛, Merck eased $¼ to $31¾, Minnesota Mining & Manufacturing fell $¾ to $108⅞, General Motors slipped $½ to $46⅝ and AT&T added $⅜ at $63¼.

On the Nasdaq market, leading technology stocks were mixed. Microsoft rose $1⅞ to $77, and Sun Microsystems added $⅝ at $26⅞; but Apple declined $⅜ to $26¼ and Intel gave up $¾ at $63½.

Internet Communications rose $1 to $6⅛ after announcing a big improvement in second quarter earnings.

Canada

TORONTO was slightly weaker at midday with golds lower as the TSE Composite index fell 3.58 to 4,133.97 in volume of 25m shares.

However, other sub-indices remained strong, with financial services up 14.31 at 3,107.28 and metals and minerals up 3.08 at 3,112.27.

Among the actives Placer Dome was off C$¼ at C$28.

SOUTH AFRICA

GOLD shares held on to early gains in spite of a late fall in the bullion price to below $370 an ounce. The golds index put on 5 at 1,752 as industrials slipped 5 to 4,628 and the overall index 6 to 4,028. Anglos lost 50 cents to R141.50.

EUROPE

Poor results punished as bourses take profits

PROFIT-taking was the theme of the day, *writes Our Markets Staff.*

FRANKFURT extended Tuesday's post-bourse fall as the DAX index dropped 26.31, or 1.4 per cent to 1,918.58.

Turnover fell from DM11bn to DM8.5n. Company results were punished again as Linde, the engineer, fell DM31, or 3.7 per cent to DM810 after Tuesday's interim report and Linotype, the printing machinery maker, dropped another DM16 to DM358, down DM52 since Monday's half year loss.

Profit-taking hit most shares. Daimler, down DM15.50 at DM739.50 was said to be additionally unsettled following news that its car making subsidiary, Mercedes-Benz, was currently showing an internal operating loss.

Meanwhile the electricals leader, Siemens, attracted high trading volume and a large buy order which pushed it up by DM5.50 to DM677.50 early in the day, compared with its previous post-bourse close. But the rise did not stick, and the shares closed DM4.50 lower on the official session, still relatively strong, at DM672.50.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

September 1 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1312.09	1312.21	1312.51	1310.01	1309.20	1307.60	1305.83	1305.63
FT-SE Eurotrack 200	1387.85	1388.38	1388.96	1387.28	1388.14	1386.16	1383.46	1385.51

	Aug 31	Aug 27	Aug 26	Aug 25	Aug 24
FT-SE Eurotrack 100	1319.96	1308.15	1298.46	1310.93	1296.82
FT-SE Eurotrack 200	1396.45	1397.66	1384.05	1385.62	1375.46

Base value 1000 (26/10/90) High/day: 100 - 1312.93; 200 - 1398.98 Low/day: 100 - 1305.07 200 - 1382.60

PARIS, beginning to grow a little impatient at the absence of a cut in domestic interest rates, retreated 1 per cent as the CAC-40 index closed off 24.56 at 2,191.93. Turnover dropped from FFr4.7bn to FFr3.2bn.

While profit-taking was much in evidence, a 2.3 per cent fall in Elf Aquitaine, which has a heavy weighting in the index, also depressed investor confidence. The oil group's shares slipped FFr10.20 to FFr435.70 following Tuesday's disappointing first half figures.

Club Mediterranee, the holiday group, attracted strong selling after warning of second half losses, although some analysts remarked that there was an element of over-reaction to the news, given the known difficulties currently being experienced in the European leisure sector. The shares ended FFr31, or 7 per cent lower at FFr405.10.

LVMH and Schneider went against the trend with respective gains of FFr16 and FFr10 to FFr4,340 and FFr799, the first on rumours of a possible restructuring and the latter on possible index reweighting.

ZURICH gave a positive reception to flat half-year profits at Ciba-Geigy, although analysts were not exactly impressed. The certificates rose SFr6 to SFr704 although the SMI index was 19.8 down at 2,470.4 with Roche certificates, the most active stock of the day, down SFr65 at SFr5,095.

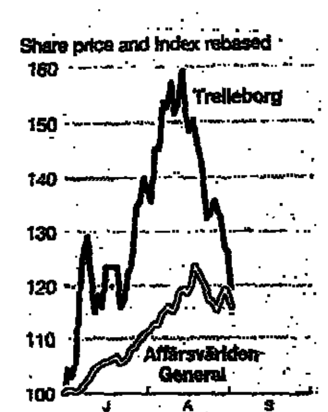
Ascom, the telecoms equipment maker, continued to fall following Monday's first-half-loss, ending SFr60 down at SFr1,070 for a drop of 19 per cent on the week so far.

AMSTERDAM retreated in line with the trend elsewhere on the continent, the CBS Tendency index closing 1.3, or almost 1 per cent down at 130.1.

Food and drink defied the falling market, with Heineken picking up 10 cents to Fl 187.60, Bols Wessanen 40 cents to Fl 44.30 and CSM Fl 1.80 to FL 64.00. However, among the internationals, Unilever shed Fl 1.50 to Fl 202.40.

MARDID was as volatile on the downgrade as it was on the way up, the general index dropping 8.03, or 2.6 per cent to 295.09. Turnover stayed high at around Pta32bn.

Profit-taking was heavier than expected and hit banks and construction shares most severely, Argentaria losing Pta300 to Pta5,900 and Uralita Pta 90, or more than 8 per cent to Pta1,000.



Source: FT Graphite

MILAN's foreign investors, in particular, decided that the time had come to sell. The Comit index closed down 6.17 at 625.67: since the market's current rally began in the middle of June the index has gained 23 per cent.

Brokers noted that the fall appeared to have been triggered by heavy selling of Fiat stock late in the session, as the shares closed off L271 at L6,972.

Ferruzzi picked up L18.90 to L280 following Tuesday's approval by shareholders of its capital restructuring plans.

STOCKHOLM offered a savage response to steep first half losses, a rights issue and the planned disposal of a materials handling stake at Trelleborg, the metals and industrial group, whose B shares fell by SKr5, or 8.5 per cent to SKr53.50 as the Affärsvärlden General index dropped 19.30 to 1,262.10.

Turnover was high at Skr1.30bn. The bank and insurance sector index fell a sharp 4.3 per cent on worries over the possibility of continued weakness in the Swedish crown, which could dash hopes of interest rate cuts. Handelsbanken A lost SKr8 at SKr125.

ISTANBUL ended a 12-day sequence of consecutive gains, the composite index closing down 185.3 at 12,171.7 in turnover of TL1,100bn.

TEL AVIV rallied on peace hopes for the third day in succession, the blue chip index putting on 4.64, or 2.2 per cent to 213.40 in turnover of Shk332m.

ASIA PACIFIC

Pacific Rim scores five new highs as Nikkei declines

Tokyo

WEAK industrial production figures discouraged investors, and share prices lost ground on profit-taking by financial institutions and index-linked selling, *writes Emiko Terazono in Tokyo.*

The Nikkei average receded 73.30 to 20,953.30, its first decline in seven trading days. It saw a day's low of 20,837.48 in the early afternoon, and a high of 20,968.00 just before the close.

Volume eased from 377m shares to 367m. Declines led rises by 575 to 422, with 176 issues unchanged, and the Topix index of all first section stocks shed 3.68 to 1,689.41. In London the ISE/Nikkei 50 index was 0.17 up at 1,294.92.

Tuesday's industrial production data showed a fall of 0.3 per cent in July from the previous month, down for a record 22nd time in succession. Rumours that the Bank of Japan was unlikely to cut the official discount rate also dampened sentiment.

Mr Morihiro Hosokawa, the prime minister, yesterday laid out steps to deregulate Japanese industries, but investors do not expect the measures to have an immediate impact; they were also disappointed by the lack of concrete measures to boost the economy.

Financial institutions placed sell orders around the 21,000 level. However, traders said foreign investors remained active buyers and that index-linked buying by investment trusts was also supporting share prices.

Interest rate-sensitive banks were lower on profit-taking, Sumitomo Bank losing Y20 at Y2,450. Telecommunications-related stocks were among the gainers. Oki Electric moved ahead Y13 to Y569 and Nippon Telegraph and Telephone advanced Y10,000 to Y970,000.

Mr Hosokawa's list of measures included assistance to home buyers, encouraging purchases of housing shares. Shokusan Jutaku Sogo rose Y12 to Y725 and Misawa Homes gained Y20 at Y1,390.

In Osaka, the OSE average eased 1.39 to 22,880.08 in volume of 50.2m shares. Machineries and textiles were lower but regional banks and housing-related issues firmed.

Roundup

FIVE equity markets in the region set new closing highs.

MANILA hit a new peak following a jump in Philippine Long Distance Telephone (PLDT) on Wall Street. It rose $3⅞ to $46¼ there, followed by a 70 pesos gain to 1,270 at home, inspiring the composite index to close 46.41, or 2.6 per cent, higher at 1,827.20.

Volume soared to 12.47bn shares from 1.61bn because of a special block sale of Unioil Exploration. Turnover more than doubled, from 380.4m to 789.6m pesos.

AUSTRALIA's All Ordinaries index set a new high, 14.9 ahead at 1,977.1, on a takeover bid and good results. Turnover more than doubled, from A$268.6m to A$642.2m.

Gas producer Sagasco rose 21 cents, or 6 per cent, to A$3.55 on the Boral takeover bid. Santos, which owns 20 per cent of Sagasco, added 12 cents at A$4.07 and Boral moved forward 11 cents to A$3.56.

KUALA LUMPUR peaked again, the composite index rising 12.55 to 821.04 on strong institutional buying of blue chips. The market heavyweights, Telekom Malaysia, Tanjong, Genting and Tenaga Nasional, firmed between 20 and 50 cents each.

Promet again led activity, with 81.7m shares traded, accounting for 15 per cent of the day's total volume. Rerated on its move into the oil and gas sector, Promet closed 28 cents up at M$2.17 after touching a high of M$2.34.

SINGAPORE inched to a new closing high of 2,012.78, up 4.12, on selective buying. Brokers said activity was focused more on second-liners and Malaysian shares traded on the OTC.

JAKARTA peaked again and, while Astra International stayed under pressure, the shares were unchanged at Rp17,000 as the JKSE index rose 5.52 to 422.83.

SEOUL rose late in the day on unconfirmed rumours that the South Korean government would announce market-boosting measures, including an easing of the 10 per cent limit on foreign share ownership.

The composite index rose 9.98 to 674.86. After hours, the government announced a tax-cutting budget for 1994.

BANGKOK saw action in banks and property as the SET index advanced 15.73, or 1.6 per cent, to 978.91 in heavy turnover of Bt9.98bn.

Bangkok Bank rose Bt4 to Bt133 on foreign domestic buying and was the most active stock, followed by Bangkok Land, Bt6 stronger at Bt109.

HONG KONG's Hang Seng index fell 7.54 to 7,542.19 after some weakness in the banking sector, where HSBC lost 50 cents to HK$83.50 after interim results late on Tuesday. In SHANGHAI, the Standard Chartered Securities B Share index rose 2.73, or 4.7 per cent, to 61.43, up 9.5 per cent in four straight gains, while Shenzhen B was down 0.38 at 61.15.

Divergences among emerging markets

By John Pitt

There were some wide fluctuations in performances among the world's emerging markets last week, with South Korea losing all of the previous week's rise and Indonesia once again doing well.

Among the Latin American markets, Brazil and Venezuela stood out, with respective rises and falls, according to data supplied by the IFC, an affiliate of the World Bank.

Indonesia is the third best performer in dollar terms among the markets reviewed, and has recently been registering record highs in the local index, helped by reasonably good interim reports and continuing foreign buying.

An uncertain economic outlook for South Korea has been affecting investor sentiment there; while disappointment over the government's delay in detailing proposals to boost market activity also contributed to the market's depression last week.

Daiwa's latest Asian equity strategy review comments that the country's export sector has been losing momentum, and the strike at Hyundai group companies, which was finally settled late last month after 10 weeks of disputes, has also had a negative effect on investment prospects.

Brazil's strong run came amid hopes for further fiscal reforms and built on satisfaction over recent approval of the government's wages policy which, it is hoped, will contain inflation. The situation in Venezuela, however, remains negative, with investors unsettled by the current terrorist bombing campaign, now in its sixth week.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Aug 27 1993	% Change over week	% Change on Dec '92	Local currency terms Aug 27 1993	% Change over week	% Change on Dec '92
Latin America							
Argentina	(11)	679.92	+2.6	+17.2	417,217.50	+2.6	+17.5
Brazil	(44)	209.91	+4.0	+67.9	26,339,136.01	+11.1	+1,163.0
Chile	(20)	431.61	+0.5	+3.1	706.95	+0.7	+10.2
Colombia[1]	(8)	448.50	+1.2	+5.5	641.64	+1.5	+4.9
Mexico	(58)	737.16	+1.5	+9.0	988.20	+1.5	+8.8
Venezuela[2]	(8)	454.95	-4.9	-12.4	975.57	-4.3	+4.5
East Asia							
South Korea[3]	(130)	93.94	-6.1	-4.3	99.81	-6.3	-1.9
Philippines	(11)	169.08	+0.2	+26.6	222.17	-0.4	+37.4
Taiwan, China[4]	(76)	81.62	-3.0	+10.6	81.78	-3.0	+17.3
South Asia							
India[5]	(61)	89.16	-4.7	-4.8	98.63	-4.7	+3.3
Indonesia[6]	(31)	93.98	+6.6	+6.01	107.05	+6.8	+62.8
Malaysia	(61)	230.33	+2.5	+40.8	216.54	+2.4	+37.2
Pakistan[7]	(8)	220.79	-3.4	+10.3	298.30	-3.4	+28.7
Thailand	(52)	266.10	+0.4	+15.5	265.73	+0.3	+14.0
Euro/Mid East							
Greece	(17)	248.28	+0.1	+27.1	393.37	-0.3	+38.1
Jordan	(5)	156.71	+3.0	+34.1	223.41	+2.5	+34.7
Portugal	(16)	105.99	+3.8	+37.4	124.05	+4.1	+59.1
Turkey[8]	(31)	142.33	+4.8	+112.8	+777.01	+5.3	+189.7

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Jan 5 1990; (3)Jan 3 1992; (4)Jan 4 1991; (5)Nov 6 1992; (6)Sep 28 1990; (7)Mar 1 1991; (8)Aug 4 1989

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY AUGUST 31 1993								MONDAY AUGUST 30 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	148.32	+0.6	147.83	98.16	129.39	146.96	+0.5	3.42	147.50	146.67	96.93	128.36	146.30	148.32	117.39	129.72
Austria (17)	172.70	+0.2	172.13	114.30	150.66	150.76	+0.7	1.29	172.33	171.36	113.25	149.96	149.77	172.70	131.16	152.35
Belgium (42)	145.70	-0.2	145.22	96.42	127.11	128.64	+0.1	4.45	145.96	145.16	95.92	127.03	128.50	156.76	131.19	143.10
Canada (108)	128.09	+0.1	127.67	84.77	111.74	122.53	+0.0	2.77	127.98	127.26	84.10	111.36	122.47	130.38	111.41	126.30
Denmark (33)	221.98	+0.6	221.25	146.92	193.65	207.41	+0.2	1.09	220.58	219.34	144.96	191.95	207.01	227.15	185.11	222.12
Finland (23)	109.34	-0.2	108.98	72.37	95.39	135.16	-0.1	0.90	109.58	108.96	72.01	95.36	135.32	118.56	65.50	61.47
France (97)	169.17	+0.3	168.61	111.95	147.57	155.57	+0.4	2.97	168.70	167.76	110.86	146.79	154.89	169.17	142.72	158.02
Germany (60)	125.75	+0.9	125.34	83.24	109.70	109.70	+1.2	1.92	124.58	123.88	81.88	108.41	108.41	125.75	101.59	119.46
Hong Kong (55)	297.28	+1.5	296.29	196.74	259.35	295.73	+1.5	3.34	292.88	291.23	192.46	254.87	291.32	301.61	218.82	234.30
Ireland (15)	169.50	-0.2	168.94	112.18	147.87	171.76	-0.1	3.25	169.86	168.90	111.62	147.81	171.87	171.98	129.28	159.94
Italy (70)	77.88	-1.3	77.62	51.54	67.93	93.17	-1.3	1.76	78.93	78.43	51.87	68.68	94.36	78.93	53.78	62.84
Japan (470)	160.82	+0.4	160.29	106.43	140.31	106.43	+1.1	0.78	160.19	159.29	105.27	139.42	105.27	165.91	100.75	111.42
Malaysia (69)	387.74	+0.0	386.46	256.61	338.25	380.43	+0.0	1.80	387.74	385.56	254.79	337.41	380.43	387.74	251.66	234.54
Mexico (19)	1734.17	-1.6	1728.44	1147.72	1512.87	5904.29	-1.6	0.84	1762.72	1752.80	1158.37	1533.93	5997.66	1764.86	1410.30	1302.36
Netherland (24)	184.67	+0.3	184.06	122.22	161.10	158.92	+0.6	3.40	184.04	183.00	120.94	160.15	158.00	184.67	150.39	166.77
New Zealand (13)	61.08	-0.2	60.87	40.42	53.28	58.69	-0.2	3.80	61.18	60.83	40.21	53.24	58.81	62.98	40.56	42.72
Norway (22)	173.58	+0.0	173.01	114.88	151.43	171.63	+0.0	1.54	173.65	172.67	114.11	151.11	171.55	177.31	137.71	145.41
Singapore (38)	285.49	+0.4	284.55	188.95	249.06	211.23	+0.5	1.63	284.30	282.70	186.83	247.40	210.28	285.77	207.04	193.52
South Africa (60)	194.63	+2.2	193.99	128.81	169.79	200.15	+0.6	2.59	190.44	189.37	125.14	165.72	198.88	215.29	144.72	190.13
Spain (43)	139.76	-0.4	139.30	92.50	121.92	142.88	-0.7	3.99	140.27	139.48	92.18	122.06	143.88	140.27	115.23	139.08
Sweden (36)	183.77	-1.5	183.17	121.63	160.33	222.34	-0.7	1.52	186.54	185.49	122.59	162.33	223.85	196.23	149.70	180.21
Switzerland (50)	135.48	-0.3	135.03	89.67	118.20	124.31	+0.2	1.75	135.86	135.09	89.28	118.24	124.11	135.96	108.91	115.14
United Kingdom (218)	187.79	-0.3	187.17	124.27	163.81	187.17	+0.0	3.74	188.29	187.24	123.73	163.84	187.23	189.50	162.00	181.22
USA (520)	189.40	+0.4	188.78	125.36	165.24	189.40	+0.4	2.70	188.72	187.65	124.02	164.23	188.72	189.40	175.38	169.44
Europe (750)	157.01	-0.1	156.49	103.92	136.98	150.38	+0.2	2.97	157.13	156.24	103.26	136.74	150.15	157.30	133.92	147.00
Nordic (114)	174.75	-0.8	174.17	115.65	152.45	184.71	-0.4	1.34	176.08	175.08	115.71	153.22	185.38	183.23	142.13	164.46
Pacific Basin (714)	164.77	+0.4	164.22	109.05	143.74	113.71	+1.1	1.04	164.05	163.12	107.81	142.76	112.51	168.80	105.89	115.67
Euro-Pacific (1464)	161.47	+0.2	160.93	106.85	140.85	128.61	+0.7	1.81	161.09	160.18	105.85	140.17	127.71	162.72	117.26	128.35
North America (628)	185.59	+0.4	184.98	122.84	161.93	184.84	+0.3	2.71	184.94	183.90	121.55	160.96	184.20	185.59	171.51	166.74
Europe Ex. UK (532)	137.47	+0.1	137.01	91.00	119.95	128.91	+0.3	2.46	137.39	136.62	90.30	119.56	128.55	137.47	112.51	126.13
Pacific Ex. Japan (244)	204.03	+0.8	203.36	135.06	178.02	188.76	+0.8	2.98	202.44	201.30	133.05	176.18	187.33	204.03	152.70	157.38
World Ex. US (1651)	161.64	+0.2	161.11	106.99	141.02	130.66	+0.7	1.83	161.26	160.36	105.98	140.34	129.81	162.76	118.51	129.62
World Ex. UK (1953)	168.13	+0.3	167.58	111.28	146.69	145.12	+0.6	1.99	167.56	166.62	110.12	145.83	144.24	168.13	134.22	138.37
World Ex. So. Af. (2111)	169.83	+0.3	169.27	112.41	148.17	148.45	+0.5	2.15	169.38	168.43	111.32	147.41	147.65	169.83	137.29	141.62
World Ex. Japan (1701)	176.77	+0.2	176.19	117.00	154.24	172.81	+0.3	2.80	176.36	175.37	115.91	153.49	172.31	176.77	157.47	159.63
The World Index (2171)	169.88	+0.3	169.32	112.43	148.21	148.91	+0.5	2.16	169.40	168.44	111.32	147.42	148.10	169.88	137.32	142.08

Constituent changes with effect 1/9/93: Deletion: Numac Oil & Gas (Canada). Name changes: Westcoast Energy to Numac Energy (Canada) and Taiyo Fishery to Maruha Corp.(Japan). Constituent changes with effect 2/9/93: Addition: Columbia Healthcare (US). Deletion: Galen Health Care (US).